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FINAL REPORT

Economic Modernization through Efficient Reforms and Governance Enhancement (EMERGE)

October 2008

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FINAL REPORT

Economic Modernization through Efficient Reforms and Governance Enhancement (EMERGE)

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DISCLAIMER

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

Philippines, October 2008

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Acronyms and Abbreviations

AABs	Authorized Agent Banks
ADB	Asian Development Bank
ADR	alternative dispute resolution
AFMA	Agriculture Fisheries Modernization Act
AIM	Asian Institute of Management
AO	Administrative Order
ARPU	average revenues per user
ATRS	Automated Tax Rulings Process
AusAID	Australian Agency for International Development
AWACS	Advanced Warning and Control Systems
BAFPS	Bureau of Agriculture and Fisheries Product Standards
BAI	Bureau of Animal Industry
BAP	Bankers Association of the Philippines
BETP	Bureau of Exports Trade Promotion
BFAD	Bureau of Food and Drugs
BFAR	Bureau of Fisheries and Aquatic Resources
BIR	Bureau of Internal Revenue
BOC	Bureau of Customs
BOT	Build-Operate-Transfer
BOT	Build-operate-transfer
BPI	Bureau of Plant Industry
BPS	Bureau of Products and Standards
BSP	<i>Bangko Sentral ng Pilipinas</i>
BTr	Bureau of Treasury
CDA	Cooperative Development Authority
CeC	Community e-Centers
CFS	Consumer Finance Survey
CHaRo	Chassis on RoRo
CICT	Commission for Information and Communications Technology
CMDC	Capital Market Development Council
CMDC	Capital Market Development Council
CMO	Customs Memorandum Order
CPA	Cebu Ports Authority
CSC	Civil Service Commission
CTPL	Compulsory Third Party Liability
DA	Department of Agriculture
DAP	Development Academy of the Philippines
DBM	Department of Budget and Management
DBP	Development Bank of the Philippines

DENR	Department of Environment and Natural Resources
DFA	Department of Foreign Affairs
DMAP	Distribution Management Association of the Philippines
DOF	Department of Finance
DOH	Department of Health
DOST	Department of Science and Technology
DOTC	Department of Transportation and Communication
DPWH-CA	Department of Public Works and Highways-Congressional Allocation
DTI	Department of Trade and Industry
EDC	Export Development Council
EGTA	Economic Governance Technical Assistance
EGTA	Economic Governance Technical Assistance
EIDC	Export and Industry Development Councils
EITI	Extractive Industries Transparency Initiative
e-LAMP	electronic Lump-Sum Appropriations Management Program
EMERGE	Economic Modernization through Efficient Reforms and Governance Enhancement
EPRA	Economic Policy and Reform Advocacy
EPRA	Economic Policy and Reform Advocacy
EU-TRTA	European Union - Trade Related Technical Assistance
FINEX	Financial Executives Institute of the Philippines
FPA	Fertilizer and Pesticide Authority
FRB	Fiscal Responsibility Bill
GDP	Gross Domestic Product
GNP	Gross National Product
GOCCs	Government-Owned and –Controlled Corporations
GPPB	Government Procurement Policy Board
GRP	Government of the Republic of the Philippines
GTZ	German Technical Cooperation
IC	Insurance Commission
ICIP	Investment Climate Improvement Project
ICS	International Classification Standards
IFRS	International Financial Reporting Standards
IGPD	Institutional Grants for Policy Development
IPB-UPLB	University of the Philippines Los Baños Institute for Plant Breeding
IRA	Internal Revenue Allotment
IRMAT	Insect Resistance Management Advisory Team
IRR	Implementing Rules and Regulations
ISAAA	International Service for the Acquisition of Agri-Biotech Applications
ITAC	Industry Trade Advisory Council
LAMP	Land Administration Management Program
LGU	Local Government Unit
LRA	Land Registration Authority
LTFRB	Land Transport Franchising and Regulatory Board
LTO	Land Transportation Office
MARINA	Maritime Industry Authority

MAV	Minimum Access Volume
MCA-PTP	Millennium Challenge Account – Philippine Threshold Program
MDFO	Municipal Development Fund Office
MICP	Manila International Container Port
MOA	Memorandum of Agreement
MROS	Mobile Revenue Officer System
MTEF	Medium-Term Expenditure Framework
MTPDP	Medium Term Philippine Development Plan
NAIA	Ninoy Aquino International Airport
NASD	National Association of Securities Dealers
NCA	Notice of Cash Allocation
NCBP	National Committee on Biosafety of the Philippines
NCC	National Credit Council
NEDA	National Economic and Development Authority
NIRC	National Internal Revenue Code
NMIS	National Meat Inspection Services
NSCB	National Statistical Coordination Board
NSO	National Statistics Office
NSW	National Single Window
NTC	National Telecommunications Commission
OGCC	Office of the Government Corporate Counsel
ONETT	One Time Tax Transactions
OPIF	Organizational Performance Indicator Framework
OPMS	Office Performance Management System
PAA	Performance Attrition Act
PAC	Policy Advisory Committee
PACT	Partnership and Advocacy for Competitiveness and Trade
PACT	Partnership and Advocacy for Competitiveness and Trade
PART	Performance Assessment and Review Tool
PAS	Philippine Accounting Standards
PCCI	Philippine Chamber of Commerce and Industry
PCG	Philippine Coast Guard
PDEx	Philippine Dealing and Exchange Corporation
PDIC	Philippine Deposit Insurance Corporation
PDIF	Priority Development Assistance Funds
PGTEP	Philippine Global Trade e-Learning Program
PHILEXPORT	Philippine Exporters' Confederation, Inc.
PIRA	Philippine Insurers and Reinsurers Association
PLDT	Philippine Long Distance Telephone Company
PMIS	Performance Management Information System
PMS	Performance Management System
PNS	Philippine National Standards
PPA	Philippine Ports Authority
PROLEND	Policy-based Lending
PTTC	Philippine Trade Training Center
RB	Road Board
RDI	Research and Development Institutions
RFS	Road Fund Secretariat

RKC	Revised Kyoto Convention
RMO	Revenue Memorandum Order
RoRo	Roll on/Roll off
RRTS	Roll on/Roll off Terminal System
S&C	Standards and Conformance Portal
SARO	Special Allotment Release Orders
SBP	School Building Program
SCCs	savings and credit services
SEC	Securities and Exchange Commission
SLDP	Sustainable Logistics Development
SLRF	Special Local Road Fund
SO	Strategic Objective
SPS	Sanitary and Phytosanitary Standards
SRNH	Strong Republic Nautical Highway
SRSaF	Special Road Safety Fund
SRSF	Special Road Support Fund
SVPCF	Special Vehicle Pollution Control Fund
TBT	Technical Barriers to Trade
TCVD	Tax Compliance and Verification Drive
TIERG	Targeted Interventions for Economic Reforms and Governance
USAID	United States Agency for International Development
USTR	United States Trade Representative
VDP	Voluntary Disclosure Program
VOIP	Voice Over Internet Protocols
WB	World Bank

Executive Summary

The EMERGE Activity was designed to address policy issues that impeded liberalization, and initiate measures to support continuing economic liberalization and influence policy to increase competition. It was to focus much of its technical assistance on policy formulation and implementation related to trade, investment, infrastructure and fiscal reforms essential for accelerated and sustainable growth.

Below are the highlights of the Project's accomplished activities and achievements.

Reform Theme 1 – Fiscal Sustainability

EMERGE technical assistance under the reform theme of achieving a sustainable fiscal position consists of two major components: (1) increasing the government's capacity to raise revenues, and (2) improving the effectiveness and efficiency of public spending.

Among the significant technical assistance activities under (1) includes improving and implementing example the One Time Tax Transactions (ONETTT) for real properties sales to help BIR identify the revenue leakages and systematic fraudulent activities that defraud the government of tax revenues; automating the Tax Compliance Verification Drive (TCVD) or tax mapping to contribute to more efficient tax collection; and designing and installing the Performance Management System (PMS) at the BIR in conjunction with the implementation of Republic Act 9335 or the Attrition Act of 2005. These reform initiatives contributed significantly to the GRP's effort of its capacity to raise revenues. Some of which includes issuance of department orders for the enactment of several identified reforms and implementation of EMERGE-assisted mechanisms (e.g. ONETTT, TCVD and PMS) to enhance BIR's efficiency in tax collection.

Along with the assistance to revenue generators, several technical assistances were provided to GRP agencies handling public expenditures. At the helm of public expenditure management reforms is the Department of Budget and Management (DBM). EMERGE activities under this component centered on pursuing EO 366 which mandated DBM and the Civil Service Commission (CSC) to provide direction and assistance to the various government agencies in the preparation of their rationalization plans, and to review and endorse approved agency rationalization plans to the President. Aside from these programs, EMERGE also assisted DBM to initiate reforms in the budget procedure towards transparent, output-based and performance-oriented budgeting system. These include the adoption of Medium-Term Expenditure Framework (MTEF) and Organizational Performance Indicator Framework (OPIF); exploring the applicability of the Performance Assessment and Review Tool (PART) used by the US government's Office of Budget and Management (OBM) to assess the performance of government units; and setting up the electronic Lump-Sum Appropriations Management Program (eLAMP) to track fund releases from lump sum appropriations in order to increase transparency and accountability in their utilization.

Reform Theme 2 – Expanded Trade and Investments

Helping reformers sustain and advance liberalization of trade and investment policies was an essential commitment for EMERGE. Doing such required EMERGE to embark on helping the GRP address two broad policy issues:

1. Lower trade barriers and facilitate trade
2. Liberalize and facilitate investments

In the course of identifying specific reform activities to address these policy issues, the Commissioner of Customs has asked EMERGE for technical assistance in his program to modernize customs administration and install a risk management program that facilitates trade and promotes compliance by importers with customs taxes and duties, laws and regulations. EMERGE extended its support through developing tools to make use of technology and international best practices in key areas of customs administration. These tools include systems reengineering (e.g. the National Single Window or NSW); the strengthening of the post-release transactions-based liquidation (i.e. Voluntary Disclosure Program); and installation and implementation of the Performance Management System (PMS) at the Bureau.

EMERGE also assisted the Department of Agriculture to rationalize and streamline the administration of sanitary and phytosanitary (SPS) measures so that these effectively address the safety requirements while remaining facilitative of trade. This in turn paved the way for the inter-agency connectivity with the BOC and eventually NSW implementation.

Aware that international trade is also affected by the increasing and unnecessary cost of compliance with technical regulations and other standards aside from SPS, EMERGE assisted the Bureau of Product Standards in providing the Philippine business community, particularly exporters, with a one-stop gateway information on standards, conformity assessment requirements, and trade-related regulations of the Philippines as well as the country's major trading partners. This mechanism is known as the Standards and Conformance Portal, which is currently operational and used by many stakeholders in trade.

EMERGE also embarked on providing technical assistance to strengthen institutional capacities to participate in trade-related discussions and policy-making processes. One of the successful initiatives of the project was the implementation of the Philippine Global Trade e-Learning Program (PGTEP). The program is a capacity building initiative for the government (executive, legislative & judiciary), the business sector, civil society and the academe to understand and participate in international trade discussions and negotiations. The other one centered on exploring the possibility of establishing a mechanism in the country similar to the Industry Trade Advisory Council (ITAC) to enhance stakeholders' participation in the development of policies in the country.

GRP and private sector reform initiatives in line with liberalizing and facilitating investments were also assisted by EMERGE. Some of which focused on making use of the great potential of biotechnology to increase agricultural productivity, and on enhancing the regulatory environment for safe and responsible use of the technology. EMERGE also provided grants to selected government agencies, research institutions and foundations who are working on the same goal.

EMERGE also assisted the GRP in its intensified effort to improve the investment climate in the country, and thus to achieve significant economic growth. Highlighted in this component is the

grant to the American Chamber of Commerce Philippines (Amcham) for the implementation of the Investment Climate Improvement Project (ICIP), which undoubtedly contributed in the achievement of numerous reform milestones (e.g. passage of bills and issuance of enabling orders). The project is geared towards setting up a mechanism to identify and communicate to the Philippine Government activities that will generate additional investments and jobs in the country. EMERGE also assisted GRP in enhancing the investment climate for specific industries, including the emerging coconut-based products, mining and intellectual property-based assets and technologies.

Reform Theme 3 – More Competitive and Efficiently Regulated Infrastructure

The inadequacy of infrastructure has been a significant factor deterring investments and growth, especially in regions outside Metro Manila. It is in this context that EMERGE technical assistance to the government's reform efforts in the infrastructure sector has found very great significance. To advance this reform theme, EMERGE embarked on helping the GRP address three broad policy issues:

1. Lower transportation cost
2. Make telecoms and IT more affordable and accessible
3. Make Private sector participation (PSP) in public projects sustainable

In pursuit of contributing to lowering transportation cost, EMERGE continued the assistance provided in previous USAID/Philippines projects, EGTA and the TAPS program of PhilExport, to PCCI, NEDA and DBP in promoting Roll on/Roll off (RoRo) shipping as a way of improving competition in the ports business and reducing costs of inter-island shipping. A technical assistance grant was also provided to the Development Bank of the Philippines (DBP) to finance a viability study for the Bicol Mainland-Masbate-Cebu Connection that can be used in its promotion of RRTS investments.

EMERGE also paid attention to road transport issues, especially the lack of proper road maintenance arising partly from budgetary constraints faced by the Department of Public Works and Highways (DPWH). EMERGE assisted the Road Fund Secretariat to come up with measures to (a) increase the efficiency of collection of the Road User Charges, and (b) improve the management of the Special Road Support Fund (SRSF) for better road improvement and maintenance.

In the Telecommunications and IT-related sector, EMERGE worked with the CICT and NTC to (i) increase the access and lower the cost of telecommunications; and (2) to expand and develop the ICT sector. In doing such, EMERGE provided technical assistances to the NTC to help design appropriate NTC regulations for voice over internet protocols (VoIP) and to build capacity to implement competition policy in the ICT sector.

The technical assistance has resulted in significant reduction in telecommunications. EMERGE also developed the Last Mile Initiative Project as an initial step toward institutionalizing Community e-Centers intended to bridge the digital divide. LMIP was used to encourage participating LGUs on job generation, eco-tourism, telemedicine, education, and e-governance.

Finally, EMERGE helped in the GRP's effort to make private sector participation in public project sustainable by extending technical assistance in improving contract governance on built-operate-transfer (BOT) projects and privatizing publicly-owned assets viewed to increase investments in the country.

Reform Theme 4 – More Competitive and Efficiently Regulated Financial System

Under this Reform Theme, EMERGE assisted Philippine stakeholders in building the systemic foundations for banking and capital markets as well as attaining competitive parity of the sector's sub-markets. Thus, the technical assistance for these reform initiatives undertaken in banking and capital markets reflect the dual intention of providing for the needs of the general public and of the developing economy at large.

The project has identified several reform milestones, to which it can relate its technical assistance to its counterparts. Highlighted in these reform milestones is the development and packaging of several LGUs loan proposals resulting from the development of a manual of operations that prescribes a set of guidelines for the implementation of the MDFO's LGU Program-Policy Loan Facility. Other achievements include the passage of memorandum circulars of the Cooperative Development Authority (CDA) on the implementation of Conciliation-Mediation of Cooperative Disputes. In time, these reforms will have their imprint in an improved financial intermediation in the Philippines, needed to mobilize more resources for investment and job creation.

Laying the groundwork for further reforms

The EMERGE project is widely considered to have been successful in helping the GRP and other policy reform counterparts (the business community and the civil society) achieve important policy, regulatory and institutional reforms both at the economic and governance perspective.

Some reforms such as telecommunications and information and communications technology regulatory improvements, among others, have already had an impact on the economy or on public sector governance. Others have yielded enabling orders (e.g. Republic Acts, Executive Orders, Department Orders and other issuances). They have helped provide infrastructure and the proper climate for greater investments and market-led growth in the economy at present and in the future.

Notwithstanding, this report puts great emphasis on the lessons learned not only by the project implementers but also other players involved in pushing forward the reform goals and objectives of EMERGE. Equally important, this report ends with a set of recommendation that might help USAID/Philippines and future project players in charting the way forward to achieving enhanced governance and economic modernization in the Philippines.

1. INTRODUCTION

USAID/Philippines and the EMERGE Project

The United States Agency for International Development (USAID) has been supporting the Government of the Republic of the Philippines (GRP)'s efforts in achieving sustained economic growth and reduced poverty through various economic governance programs implemented under Strategic Objective 2 (SO2). USAID through its SO2 assists Philippine partners in job creation and poverty reduction, by reducing the constraints on investment caused by corruption and poor governance, including the barriers to competition that inhibit domestic and international investment. SO2 aims to increase transparency and accountability in the Philippine economy, provide appropriate incentives for expansion of critical infrastructure services, and increase the country's competitiveness in international trade.

Activities under SO2 have been implemented through the umbrella program called Economic Governance Technical Assistance (EGTA) Project and various grants to international and local NGOs. The EGTA Project has produced a substantial record of accomplishments since the start of its implementation in 1998. The EGTA Project ended in September 2004.

In response to the need maintain the momentum of the reforms carried out thus far, and to accelerate fiscal, trade, and investment reforms, USAID in August 23, 2004, signed with CARANA Corporation the EMERGE contract Task Order No. 800 under the IQC No. AFP-I-00-03-00020-00. A sub-contractor to CARANA, Nathan Associates took the lead in implementing EMERGE¹

EMERGE is one of three projects that are guided by a common Policy Advisory Committee (PAC). These projects fall under the Targeted Interventions for Economic Reforms and Governance or TIERG Program of USAID/Philippines. The EMERGE Contractor coordinated its work with and supported the work of the two Filipino institutional grantees, namely the Ateneo de Manila University Consortium for the Economic Policy and Reform Advocacy (EPRA) Project and the De La Salle University/Angelo King Institute-PHILEXPORT Group for the Partnership and Advocacy for Competitiveness and Trade (PACT) and Project.

Philippine Medium Term Development Plan, 2004-2010

The CARANA-Nathan team devoted the EMERGE project resources to assist the Government of the Republic of the Philippine implement its Philippine Medium Term Development Plan, 2004-2010.

The Philippine Medium Term Development Plan is a comprehensive framework for increasing investments, trade and economic growth in the Philippines. It is a package of reforms, projects,

¹ USAID/Philippines competitively procured Task Order No. 800 for the management of its EMERGE project from existing holders of the SEGIR for Privatization Indefinite Quantity Contract (IQC). The CARANA Corporation, a holder of a SEGIR IQC No. AFP-I-00-03-00020-00 with USAID, and Nathan Associates, Inc., its sub-contractor, were selected to implement the EMERGE project.

and other interventions designed to reduce the number of poor families in the Philippines, estimated at about 25.7 percent of total household population in 2004.

The Plan is organized around five parts, with each part in turn covering several areas of concern or objectives. The EMERGE project has been most useful to the Philippine government in helping accomplish Part I of the Plan on economic growth and job creation.

Terms-of Reference for the EMERGE Activity

Following the SO2 guidelines, the original scope of work for the EMERGE Activity had two broad objectives: continue policy liberalization in the Philippines, and increase the degree of competition in the Philippine economy.

The EMERGE Activity was designed to address policy issues that impeded liberalization, and initiate measures to support continuing economic liberalization and influence policy to increase competition. It was to focus much of its technical assistance on policy formulation and implementation related to trade, investment, and fiscal reforms essential for accelerated and sustainable growth. But it was also tasked to support other activities as needed. The EMERGE activities were flexible enough to address all real sectors of the Philippine economy including, agriculture, manufacturing, trade, finance, transportation, and communications. It was expected to be a policy, action-oriented program in support of local partners' initiatives. It was also meant to support institution building, including provision of commodities to support achievement of the objectives.

Some of the highlighted priorities in the terms of reference were: Trade, investment, and competitive structure; domestic and international trade; WTO technical assistance; tariff and non-tariff barrier reduction; agriculture; inter-island and overland transportation; investment and private sector development; financial market development; private investment in public infrastructure; intellectual property rights; telecommunications development; sustainable fiscal management; fiscal policy; tax administration; and LGU financial management and planning.

The EMERGE design gave CARANA/Nathan Associates responsibility for the following major task areas: 1) policy analysis and technical assistance; 2) administration of grants to NGOs and nongovernmental research institutions; 3) administration of the Special Activities Fund (SAF) which was supposed to fund activities that required counter-part cost sharing; 4) SO2 monitoring, assessment, reporting; and 5) public information and consultations.

Under the policy analysis and technical assistance area, the EMERGE Activity was to assist the GRP to identify, prioritize, design approaches and implement measures to address economic policy issues in a manner consistent with the EMERGE objectives. It was also to guide the overall EMERGE policy program including identification of policy impediments to growth and/or to improved income distribution. At the request of other USAID/Philippines Strategic Objective teams, EMERGE would factor policy research findings into the Philippine economic policy-making process; conduct policy analysis and disseminate/policy dialogue based on the analysis; and provide technical assistance, training and small-scale commodity procurements including equipment specification and system design.

Under the “Institutional Grants for Policy Development,” component EMERGE was to award and administer grants to local development partners and nongovernmental research institutions whose activities are in line with the focus areas of the EMERGE Activity.

A Special Activities Fund, SAF, was designed to facilitate implementation of selected sub-activities complementary to EMERGE activities but not originally included in the annually-approved work plan and critical to promoting the EMERGE policy agenda. In addition to the same kinds of technical assistance, training and other uses, the SAF was designed to carry out special studies and technical assistance on matters of interest to EMERGE, with the anticipation that in most cases the EMERGE SAF will share the costs of these activities with the counterparts. These included organization and implementation of study tours to observe relevant cases within or outside of the Philippines; long-term participant training for Filipino public and private sector policy professionals; commodity procurement for organizations or individuals needed to carry out specialized tasks pertinent to the achievement of the EMERGE objectives, including support for policy analyses, public-private policy dialogue, and TA by local think tanks, university policy analysis units, NGOs, and business associations.

Finally, EMERGE was to monitor, assess and report component on the progress being made on SO2 Performance. EMERGE was to select SO2 performance indicators that improve monitoring; collect data for SO2 performance indicators twice yearly and use that data to monitor progress in meeting targets; produce routine and special assessments of policy reform in the Philippines, "success stories," for USAID information dissemination efforts. The project was also to respond to USAID's requests for special activities and the preparation of special reports and policy analyses; and provide USAID liaison support.

The EMERGE Activity was designed to provide support to various government and private sector partners, involving stakeholders to the maximum extent possible, based on their requests for specific policy assistance. For example, partners were expected to include the Department of Finance (DOF), the Bureau of Customs (BOC), Bureau of Internal Revenue (BIR), the Securities and Exchange Commission (SEC) and the BOT Center; the Department of Agriculture (DA); the Department of Transportation and Communication (DOTC), including the Maritime Industry Authority (MARINA), the Philippine Ports Authority (PPA), and the National Telecommunications Commission (NTC); the Department of Trade and Industry (DTI); the National Economic and Development Authority (NEDA); the Export and Industry Development Councils (EIDC), Philexport; FINEX; and chambers of commerce and business associations. Whenever feasible, the Activity was to include other bilateral or multilateral donors as partner.

The EMERGE Policy Advisory Committee, comprised of senior representatives from the DOF, NEDA, other governmental agencies, USAID, business sector, and academia, was to be established to provide oversight and feedback to the EMERGE and to review the EMERGE life-time and annual. The Policy Advisory Committee was to meet quarterly.

Donor coordination was an important component in the terms of reference for the EMERGE Activity. The EMERGE team was to look for opportunities to collaborate with other donors in sponsoring participation in symposia, workshops and other public and professional for a when such activities contributed to the achievement of the EMERGE objectives

Activity Framework 2004-2008

USAID/Philippines's EMERGE Activity for 2004-2008 was set forth in a "results framework" of strategic objectives and results for the economic growth program to "support improved performance of selected government institutions," SO2, outlined by the USAID/Philippines Strategy FY 2000-2004. These objectives and results were tailored to certain long-term imperatives of Philippines's economy, and built on previous Mission initiatives in economic programming

The results framework that USAID/Philippines devised for its 2000-2004 Economic Growth Program was comprehensive. The framework established a single strategic objective (SO) supported by four intermediate results or reform themes (RTs), with the latter in turn each specifying additional sub-intermediate results or reform outcomes (ROs) as follows, see Figure 1:

Strategic Objective (SO) 2: Support improved performance of selected government institutions that will assist the GRP in create jobs and alleviate poverty

Intermediate Result (RT) 1: Sustainable Fiscal Position

RO 1.1: Raise Tax Effort

RO 1.2 Raise Efficiency of Public Spending

Intermediate Result (RT) 2: Expanded Trade and Investment

RO 2.1: Lower Trade Barriers and facilitate trade

RO 2.2: Liberalize and Facilitate Investment

Intermediate Result (RT) 3: More Competitive, and efficiently regulated infrastructure services

RO 3.1: Lower Transportation Costs

RO 3.2: Make telecoms and IT more affordable and accessible

RO 3.3: Make PSP in public Projects Sustainable

Intermediate Result (RT) 4: Vibrant Financial Markets

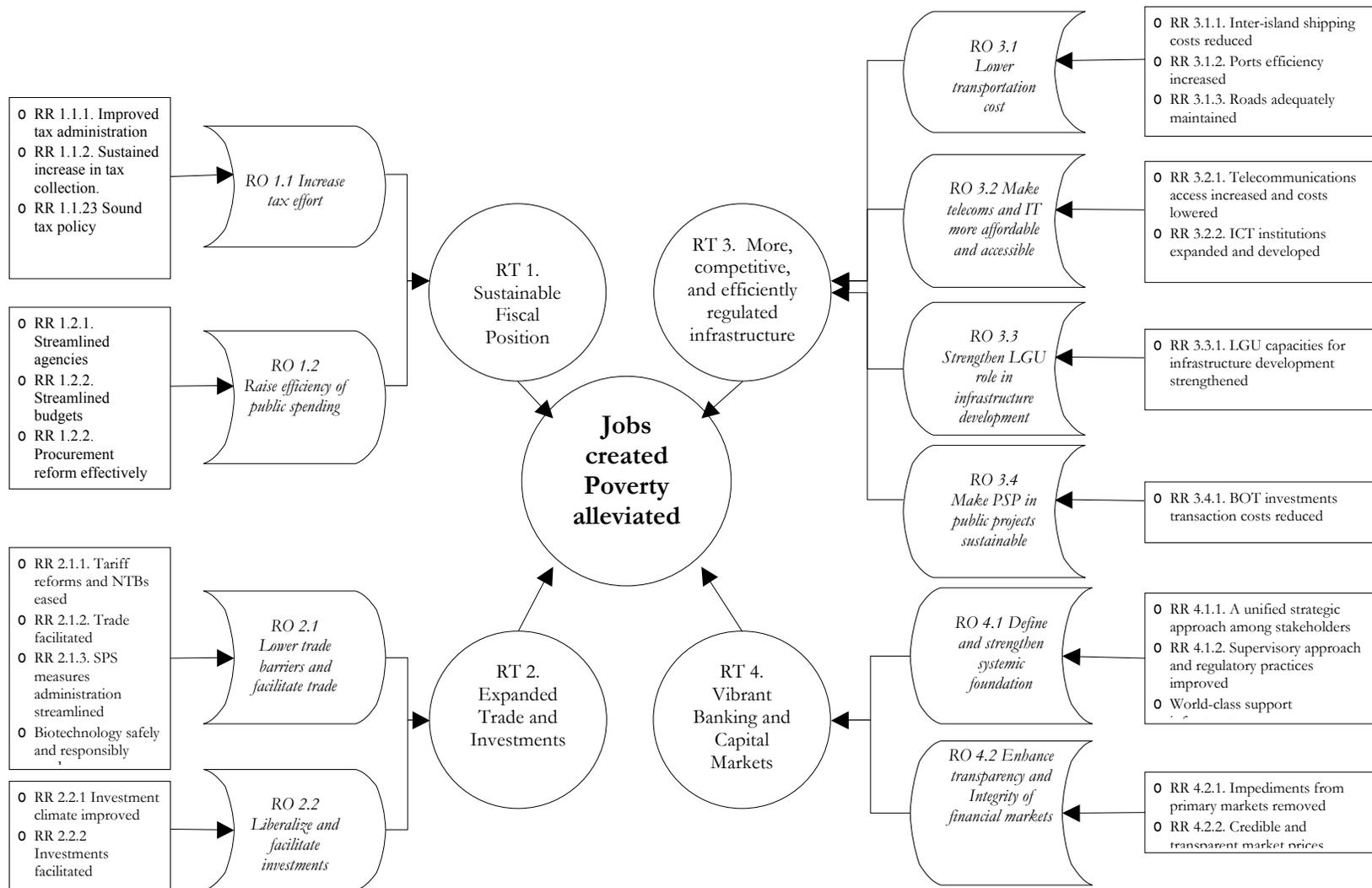
RO 4.1: Define and strengthen systematic foundations

RO 4.2: Develop competitive parity across sub-markets

Program Resources

USAID/Philippines's funding for the EMERGE Activity amounted to about \$11 million through FY 2007. During the same period, all USAID development assistance flowing to Philippines totaled more than \$ 570 million. EMERGE therefore represented about 2 percent of USAID/Philippines's development assistance budget. In the final year (FY 2008), approximately \$1.5 million in additional development assistance was funded. Thus, the EMERGE Activity was given \$12.5 M during the past four years to provide flexible assistance to the GRP.

Figure 1. EMERGE Results Framework 2004-2008



Implementation of EMERGE

The EMERGE Activity was designed to run for 36 months, from August 2004 through August 2007. USAID/Philippines extended EMERGE for 13 months from September 2007 through September 2008.

Within the results strategic framework for the objectives described above, the focus and content of USAID/Philippines's EMERGE Activity was implemented in two phases. The first phase covers the *base period* of the project, which was led by Dr. C. Stuart Callison, while Dr. Ramon Clarete headed EMERGE in the *extension period*.

Carana Corporation was the prime contractor of EMERGE, while Nathan Associates, Inc. was its implementing partner.

(For summary of accomplished activities, milestones achieved and success indicators attained by the EMERGE Project, please refer to Attachment 1.)

2. Review of EMERGE Tasks

Organization of Activities

The EMERGE Activity was organized by type of intervention. The project's technical and operating philosophy changed when the base period of the project was completed. The first phase was a comprehensive approach and was implemented during the base period of the project, and the current second phase centered the activities on two of the four components. In general, the shift occurred as a result of change in management at USAID/Philippines and reflected the limited level of funding on the extension period.

Base period

Phase 1 ran from the project inception through July 2007, about 34 months. Beyond time and energy invested in project launch, including work planning and creating performance monitoring and knowledge management systems, activities had four thematic areas. To reflect these, four thematic teams designed goals and carried out tasks to assist in reaching the projects goals: The Fiscal Sustainability team was led by Dr. Rosario Manasan from the beginning of the project until January 2006. Dr. Jun Miral led this component from February 2006 to July 2007. The Trade and Infrastructure team was led by Dr. Myrna Austria for the entire base period of the project. The Infrastructure team was led by Dr. Gilbert Llanto for the same period; and finally the Banking and Capital Markets team led by Noet Ravalo from the beginning of the project until March 2006. Upon his departure, Dr. Mario Lamberte took these responsibilities in July 2006, and remained as team leader until the end of the base period. These changes in personnel were not viewed as major disruptions to the project's implementation by current EMERGE team members.

Extension period

In the extension period, August 2007 to September 2008, there were limited resources to implement the project. Thus, two teams were dissolved: the Banking and Capital Markets team, and the Infrastructure team. The Fiscal Sustainability team continued to be led by June Miral and the Trade and Investment Team continued to be led by Myrna Austria, but given the level of effort, available Dr. Ramon Clarete became much more involved in all EMERGE activities.

Reform Theme 1 – Fiscal Sustainability

The achievement of a sustainable fiscal position is one of the ten-point agenda in the Medium-Term Philippine Development Plan for CY2004-2010. Weak fiscal position has always been the Achilles heel of the economic structure of the Philippines. The last time the government posted a budget surplus was in 1997. In 2004, when the EMERGE Project started, the national government budget deficit amounted to P187.06 billion or 3.84 percent of GDP. The national government outstanding debt was at P4,645.66 billion or 95.36 percent of GDP. Debt service amounted to 5.36 percent of GDP, and accounted for 30 percent of national government expenditures, crowding out much needed expenditures in social and physical infrastructure. Government borrowing had likewise contributed to high domestic interest rates and volatile exchange rate, creating an environment that was not competitive and attractive to investment and business activities.

The government's weak fiscal position can be attributed mainly to the deterioration in tax effort. From 16.98 percent in 1997, the tax-to-GDP ratio plummeted to 12.28 percent in 2004. The BIR's tax effort declined from 12.97 percent in 1997 to 9.61 percent in 2004, while the BOC's tax effort slid from 3.91 percent to 2.51 percent during the same period. The deterioration in the tax effort forced the government to restrain expenditure. Government expenditure-to-GDP ratio went down from 19.38 percent in 1997, to 18.20 percent in 2004. However, efforts to control government expenditures were to no avail as the national government's fiscal position reverted from a surplus of 0.06 percent of GDP in 1997 to a deficit of 3.84 percent of GDP in 2004. Tight government spending further worsened the huge backlog in infrastructure, as expenditures on infrastructure and other capital outlays were squeezed from 3.26 percent of GDP in 1997 to 1.93 percent of GDP in 2004. In 2004, the IMD World Competitiveness Survey ranked the Philippines 52nd among 60 countries in overall competitiveness, and 59th in terms of infrastructure competitiveness.

EMERGE technical assistance under the reform theme of achieving a sustainable fiscal position consists of two major components: (1) increasing the government's capacity to raise revenues, and (2) improving the effectiveness and efficiency of public spending.

Reform Objective 1.1. Increase the government's capacity to raise revenues

Raising revenues to take control of the fiscal deficit is the government's top and immediate priority. Addressing the infrastructure backlog and achieving a healthy fiscal position can only be achieved by improving revenue collection. In the near term, revenue can be increased by improving tax administration to raise collections using various procedural upgrades in the present institutional set-up, and/or by revising tax policies (tax types and rates) to strengthen the tax base. In the long term, such approaches could be combined with a Department of Finance-sponsored (DOF) institutional reform of BIR to improve organizational effectiveness.

Then Commissioner of Internal Revenue Guillermo Parayno Jr. placed high priority on tax administration reforms to improve incentives for tax compliance and increase tax effort. This involves streamlining and correcting loopholes in the existing tax collection systems, better and expanded use of third party information, application of modern IT systems, and upgrading of accounting practices to international standards to effectively implement the National Internal Revenue Code. These reforms are to be complemented by a performance measurement system,

which will provide incentives and penalties for individual performance in line with the Lateral Attrition Law.

EMERGE goal of raising the government's tax effort is pursued with regard to the following reform results areas:

- Revenues increased with enhanced tax administration
 - Streamlined tax collection procedures
 - Better and expanded use of existing third party information databases
 - Increased use of information technology for improving tax administration
 - Improved tax audit capability
- Sustained increased in tax collection
 - Transparent, fair, and objective performance measurement system installed
 - Performance measurement system used in the smooth implementation of the proposed Lateral Attrition Law including the movement of personnel

Reform Result 1.1.1. Revenues increased with enhanced tax administration

Description and Objectives: The EMERGE team worked in support of the Commissioner of Internal Revenue implement its Blueprint for Development Towards 2010. In this plan, the Bureau of Internal Revenue strives to increase the tax effort, attain world-class tax administration, and enhance taxpayer compliance. The EMERGE Project focused on helping the Commissioner increase the tax effort through improvements in tax administration systems and sustaining such improvements.

The analysis of existing tax collection systems such as for example the One Time Tax Transactions (ONETT) for real properties sales helped identified the revenue leakages and systematic fraudulent activities that defraud the government of tax revenues. Implementation of the NIRC with respect to the use of physical proof of payment of sin taxes on cigarettes have been pursued and complement the impending enactment of sin tax reform on indexation.

A key strategy for increasing tax effort was to improve the capability of the Bureau to effectively detect and eliminate revenue leakages. This required the identification and removal of obstacles to effective collection, processing and use of data/information in support of early detection of leakages and recovery of revenue losses.

Counterparts: The Bureau of Internal Revenue (BIR) was identified as the major partner agency for this reform component. The BIR collects around 80 percent of the government's tax revenues.

Activities Accomplished:

- EMERGE worked with the BIR, Land Registration Authority (LRA) and the Quezon City Revenue District (QC-RD) to design and develop an application to improve and automate the One-Time Tax Transactions (ONETT).
- ONETT covers the following transactions: (1) capital gains tax (CGT) on sale of real properties considered as capital assets; (2) CGT on transfer of stocks not traded in the stock exchanges; (3) expanded withholding tax (EWT) on sale of real properties considered as ordinary assets; (4) donor's tax; (5) estate tax; and (6) documentary stamp tax. Prior to EMERGE TA, the ONETT system remained vulnerable to revenue losses and leakages and

puts at risk the Bureau's short to medium term revenue collection, despite the improvements. BIR has pinpointed the following sources of leakage:

- Harassment of ONETTT Taxpayers with legitimate transactions.
- Absence of a reliable validation/verification system on Tax Clearance (TCL) and location of the property.
- Delays in the issuance of Certificate Authorizing Registration (CAR).

In the course of the technical assistance, three prototypes of the application were developed. On April 17, 2007, EMERGE submitted the final version of the ONETTT application to BIR. The final version incorporates all change requests from the users and fixes for discrepancy logs from the quality assurance tests conducted by BIR.

Thereafter, the deployment of the ONETTT application and its database into the BIR Oracle environment and test server commenced. On June 15, 2007, EKP and the BIR counterpart team oriented the representatives of BIR offices involved in the administration of one-time tax transactions on the different modules of the application. Meetings were also held to prepare an Operations Memorandum that would provide the guidelines for the soft launch and pilot testing of the application.

- Upon the request of the Asset Valuation Division of the Assessment Service at the BIR, EMERGE provided a follow-on technical assistance for the development of an application that will convert the zonal values of real properties in PDF/Excel format into ITS format that can be read by the ONETTT application, and the system design and application for subsequent revisions of the schedules of zonal values and their automatic uploading to the database readable by the ONETTT application.
- EMERGE purchased a barcode software for the ONETTT system to address the problem of tampering and falsifying the Certificate Authorizing Registration (CAR).
- EMERGE worked closely with then BIR Commissioner Parayno in identifying reform initiatives for improving tax administration, as outlined in the "BIR Blueprint for Development Towards 2010." Estimates of leakages in selected tax types, specifically the income tax, capital gains tax (CGT), value-added tax (VAT), and excise tax were generated. Methodologies for subsequent estimation exercises were also identified. These outputs were made available to the Office of the BIR Commissioner.
- EMERGE provided technical assistance to DOF improve and automate the tax ruling process through the development of the Automated Tax Rulings Process (ATRS). ATRS was viewed to facilitate the streamlining of the tax rulings process and strengthen the monitoring and oversight of tax rulings, thereby avoiding the issuance of inconsistent and conflicting rulings.

Work on the ATRS involved four phases, namely, (i) Systems Investigation, or a description of the current system and processes of tax ruling in the BIR national and regional offices; (ii) Systems Analysis, or needs assessment of stakeholders and identification of the problems and weaknesses of the current system; (iii) Systems Design, or specification of the functional requirements for the tax rulings process based on the needs assessment and proposed improvements; and (iv) Systems Specifications for the Computerized Component, or a specification of the requirements of ATRS.

- EMERGE approved the proposal of the Ramon V. del Rosario Center for Corporate Social Responsibility (RVR) – Hills Governance Program of the Asian Institute of Management (AIM) to conduct a study to streamline and harmonize inter-agency business processes among the Land Transportation Office (LTO), Land Transport Franchising and Regulatory Board (LTFRB), Insurance Commission (IC), and BIR in motor vehicle registration and land transport franchising, and their sub-processes relating to insurance and taxation. The ultimate goal is to institutionalize information sharing and improve the collection of taxes on compulsory third party liability (CTPL) insurance and the common carrier tax on gross receipts of public transportation companies

The task was undertaken in the following stages: (i) systems studies and improvement of motor vehicle registration and land transport franchising, (ii) identification and improvement of areas of integration, including those relevant to insurance and taxation, and (iii) work towards institutionalizing the areas of integration identified in (ii).

The following reports were submitted and made available to the agency heads: (i) Integrative Report, (ii) Motor Vehicle Registration Report, (iii) Draft of Updated LTO Operations Manual, (iv) Land Transport Franchising Report, (v) Draft LTFRB Guidebook, and (vi) Risk Assessment of Taxation in Motor Vehicle Registration and Land Transport Franchising. These reports identified three areas of integration, namely, (i) LTO-IC-BIR linkage for compliance monitoring of CTPL coverage, (ii) LTFRB-BIR linkage for proper tax assessment of public transport operators, (iii) LTO-LTFRB linkage for franchise verification and detection of colorum vehicles (illegally operating public utility vehicles). A fourth linkage, that of the maintenance of a unified chart of accounts to simplify the submission and checking of annual reports by transport operators was not completed because the new LTFRB leadership did not consider it a priority.

Memoranda of Agreement (MOAs) to effect the above linkages were prepared but signing did not materialize because of the leadership changes in LTO and LTFRB.

- Following the recommendation of the AIM study, EMERGE provided technical assistance to the Insurance Commission and LTO for the institutionalization of the LTO-IC linkage to minimize the incidence of fraudulent CTPL insurance policies. In particular, EMERGE assistance was to design the database and clearing system for compulsory insurance policies in order for a meaningful database reconciliation and exception reporting to undertake. Prior to EMERGE TA, IC did not have a database of insurance transactions and most of its operations were carried out manually.

The database was designed to facilitate the authentication of Certificate of Coverage (COCs) prior to motor vehicle registration and the grant of land transport franchises. Its main features are: (i) inclusion of all compulsory insurance types, (ii) immediate work on the CTPL database, (iii) linkage with LTO for the validation of insurance policies, (4) monthly database reconciliation and exception reporting among IC and other government agencies, and (5) use of the banking system for the receipt and distribution of payments. The information in the database may also be shared with BIR to assist in tax enforcement in the land transport sector.

- EMERGE assisted BIR in strengthening excise tax administration towards improved revenue collection and taxpayer service. The technical assistance was divided into two components.

The first component was an Industry and Systems Study. The study contains the following: (i) assessment of the current state of the local cigarette industry, (ii) an estimate of potential excise tax revenue, and the gap between potential and actual collections (PHP 300M – 9B), (iii) a comparative evaluation of BIR’s requirements vis-à-vis four technology options for a control system for the removal of cigarettes from the place of production and corresponding payment of excise taxes due, namely, the use of barcode, RFID, fuse-on stamps, and security ink, (iv) recommendations for a systems solution that would (a) account for the payment of excise taxes by manufacturer from production site, (b) allow BIR and manufacturers to identify counterfeit/non-legitimate cigarettes in the market, (c) allow the integration and sharing of data between BIR and BOC to close the loop on illegal cigarette distribution coming from smuggling and unreported production.

The second component was research assistance to the BIR in the Codification of Revenue Regulations and Issuances on the Cigarette and Tobacco Excise.

- EMERE provided technical assistance to BIR to define the service requirements for the Tax Compliance and Verification Drive (TCVD)² process, design an enhanced TCVD process for the effective use of Mobile Revenue Officer System (MROS)³, and develop and initialize the implementation of the enhanced MROS.

The TA was carried out in two phases. The first phase involved the reengineering TCVD process, while the second phase involved TCVD automation or e-TCVD.

In the first phase, workshops were conducted with BIR counterparts in the office of DCIR for Operations Lilian Hefti, Tax Reform Administration Group (TRAG), Taxpayers Assistance Service (TAS), and revenue district offices. Agreements were made on the features of a reengineered TCVD process. These are (i) process flows in the planning, pre-TCVD, TCVD proper, and post-TCVD phases, (ii) violation and penalty checklists, (iii) forms, such as violation ticket, pre-registration for unregistered taxpayers, and notices to establishments, and (iv) key performance indicators and reporting system. Thereafter, DCIR Hefti noted the need to revise the existing RMO on TCVD processes.

In the second phase, the design for the automation of the reengineered TCVD processes in the first phase was determined (e-TCVD). The proposed systems enhancements, which evolved from MROS, were presented to the ISG staff. Subsequently, suggestions were made on zone naming, report generation procedures, database fields for payments through the banking system, synchronization of national and regional office databases, software acceptance procedures, and minimizing conflicts between e-TCVD and BIR’s Integrated Tax System (e-ITS). The features of e-TCVD are: (i) mobile application running on ordinary cellular phones

² The Tax Compliance and Verification Drive (TCVD), or more popularly known as tax mapping, was launched by BIR in 2003.

³ In 2004, the Mobile Revenue Officer System (MROS) allowed revenue officers on the field to access BIR data and validate taxpayer information through mobile technology. Onsite findings were also immediately reported to the national office.

that can communicate directly to the BIR database, and can be used to conduct and record tax mapping activities, (ii) web portal application for automatically generating reports and allowing direct access to real time reports on the performances of the tax mapping activity by BIR officials at the different levels.

Apart from a technical report, a draft guidebook defining the rights and obligations of both revenue officers and business establishments with respect to the tax mapping activity was also presented to cap the TA.

- EMERGE assisted BIR in harmonizing Philippine tax rules and regulations with the new International Financial Reporting Standards (IFRS) and the new Philippine Accounting Standards (PAS), by facilitating the familiarization of BIR staff with IFRS, and the development of training modules for BIR tax agents and auditors to provide them a comprehensive and uniform base of understanding of the new accounting principles and standards and their implications.

The task was conducted in two phases. The first phase involved the training of key BIR officials, while the second phase involved bureau-wide training.

In the first phase, 11 training sessions for key BIR officials yielded technical, legal, and operational considerations from the participants, which are relevant to the eventual adoption of IFRS in the Philippines. An output of the first phase was the Summary of Tax Issues. It documented the tax implications of IFRS and BIR's position on them. They formed part of the training modules developed by SGV. These modules covered 46 topics pertaining to the IFRS principles and accounting standards, the corresponding Philippine tax accounting standards, and BIR's position where there are conflicts between the two.

In the second phase, the Core Group of Instructors, which consisted of revenue officers from the national, regional, and district offices of BIR, was trained in two batches. In the pre- and post-tests administered, Batch 1 showed a 12-percent improvement in scores, from 64 percent to 76 percent. Batch 2 showed a 25-percent improvement in scores, from 55 percent to 80 percent.

A total of 120 participants completed the trainings.

Reform Milestones Achieved:

- A draft of the Operations Memorandum prescribing guidelines for the soft launch and pilot testing of the ONETTT application was completed. It is the product of the collaboration of BIR officials and employees who will be using the application. The Operations Memorandum will be converted into a Revenue Memorandum Order (RMO) to usher the nationwide use of the ONETTT application.
- As of August 15, 2008, the automated ONETTT system was ready for nationwide rollout. The nationwide rollout of the ONETTT system has been included in the list of the BIR tax reform administration initiatives giving assurance of necessary funding and management support. The BIR Assessment Service which is a major player in the ONETTT process is now confident of

adopting the automated system. A BIR task force has been formed for the nationwide rollout of the ONETTT Application.

- BIR accepted and worked towards the implementation of the reform priorities recommended in the EMERGE-assisted “BIR Blueprint for Development Towards 2010”. Separate new tasks were thus spun off from this task. These are: establishing integrated systems of motor vehicle registration, land public transport franchising, insurance, and taxation; assessing options for implementing the proof of payment provision in the tax code for excise taxes and updating/consolidating regulations on cigarettes; and designing a more effective tax compliance and verification drive (TCVD).
- The BIR management committee received ATRS positively and proceeded to study its budgetary requirements. BIR managed to obtain financial support for the implementation of ATRS under the General Appropriations Act-funded e-Governance project of the Philippine government. The Bids and Awards Committee of BIR has finalized the TOR for the development of the ATRS software solution. The TOR is now with the DCIR for the Legal Group, and awaiting review and approval. The TOR and bid invitation are expected to be published by October 2008.
- Following the successful implementation of the technical assistance provided through Ramon V. del Rosario Center for Corporate Social Responsibility (RVR) – Hills Governance Program of the Asian Institute of Management (AIM), an LTO office order was issued to implement the proposed processes for transaction time monitoring and reporting, and classifying process issues based on frequency and urgency.
- Outside of the technical assistance’s scope and using IC’s in-house resources and personnel, IC Commissioner proceeded with the implementation phase of the EMERGE-assisted database. Using project outputs, IC experts set up the Compulsory Insurance Database System – CIDS (Level 1). IC and LBP then entered into a MOA for the development of an application linking the two agencies for the electronic payment of insurance premiums (Level 2). Levels 3 and 4 will involve IC-LTO linkages for the validation of insurance coverage and for regular data reconciliation on CTPL coverage and motor vehicle registration. A MOA has been drafted to support Level 3 and 4.
- The other relevant developments are:
 - Approaching July 2007, DOTC Order No. 2007-28 was issued. It makes LTO the sole agent for CTPL insurance transactions, and prescribes an agent for all CTPL insurance transactions. PIRA then sought an order from the court to restrain the implementation of the Order.
 - DOTC deferred the implementation of the Order. Together with DOF, it opted for an interim CTPL solution, where IC was placed under the administrative supervision of the Finance Secretary, while LTO was administratively attached to DOTC. Consequently, IC agreed with LTO on the parameters of connectivity. Through Circular Letter No. 12-2007 (July 25, 2007), IC instructed all CTPL insurance companies to follow procedures prescribed in the interim solution.
 - Meanwhile, Philippine Insurers and Reinsurers Association (PIRA) was granted the restraining order against the DOTC Order in (i). However, PIRA has yet to sign an agreement with LTO’s IT service provider, Stradcom Corporation, to legally enable the

electronic connectivity for the interim solution. Nevertheless, PIRA and LTO have established connectivity, and the interim solution has been implemented since July 25, 2007.

- The suspended initiatives at interconnectivity notwithstanding, the PIRA nonetheless adopted and made improvements on the linkage for CTPL compliance monitoring designed by EMERGE. The resulting system received the approval of the DOF Secretary.
- The BIR management committee accepted the EMERGE-assisted “Industry and Systems Study”. The study’s findings and recommendations were separately presented to DOF Secretary who agreed to use the results of the study in preparing the terms of reference for contracting system integrators to set up the proposed system for establishing proof of cigarette excise tax payment. The platform could also be used to establish proof of payment of other excisable products.

Currently, DOF and the BIR are procuring the services of a company to put up a system for establishing proof of cigarette excise tax payment. They are reviewing three proposals from private systems integrators. The cost of the vendor’s services will be passed on to manufacturers.

- The e-TCVD application passed systems and functional testing by ISG, obtained the approval of the Operations Group (OG), and passed quality assurance testing by QAD. It is currently running in the BIR Development Server and is linked to the BIR e-ITS.

On May 23, 2007, e-TCVD was successfully pilot-tested in selected establishments in the Makati City commercial/ business district.

The e-TCVD was counted among BIR’s flagship programs for 2007.

A draft RMO that would formally institute TCVD reforms was approved in principle. Nationwide consultations had been conducted on the draft; suggestions were subsequently consolidated and included. The draft RMO is now with the office of DCIR Aspe for review and approval.

- With EMERGE TA, an IFRS-consistent tax accounting manual was developed was for the BIR staff to understand the tax reporting and audit implications of the new reporting standards.

Reform Result 1.1.2. Sustained increase in tax collection

Description and Objectives: EMERGE worked to help the Commissioner of Internal Revenue institutionalize improvements to the Bureau’s tax administration system. The work involves aligning incentives for performance both at the level of the Bureau’s units and sub-units, as well as each of its 11,000 employees. The Lateral Attrition Law⁴ offers the opportunity to institutionalize in the Bureau an incentive system over and above that offered by the NIRC for improved performance in

⁴ On January 25, 2005, President Gloria Macapagal-Arroyo signed into law R.A. 9335 or the Performance Attrition Act (PAA) of 2005. This law seeks to improve the performance of the two tax collection agencies of the Philippine government, namely the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC). The law provides for incentives in order to accomplish the goal of improving and sustaining tax collection.

tax collection and administration. The Deputy Commissioner for the Large Taxpayer Service had asked EMERGE for technical assistance in designing, consulting and installing a transparent, fair, and objective performance rating system, based on which the Bureau may allocate the incentives to be provided for in the proposed Lateral Attrition Law. The system was tried first in the Large Taxpayer Service (LTS), which accounts for about 56 percent of the Bureau's tax collection. An earlier USAID assistance installed a unit-based performance measurement system. This assistance was built on it and extended the system's capability to measure individual performance. The system thus installed was viewed to be rolled out to the entire Bureau.

Counterparts: Bureau of Internal Revenue

Activities Accomplished:

- EMERGE mobilized a project team to assist BIR design and install unit and individual Performance Management System (PMS) at the BIR-LTS in conjunction with the implementation of Republic Act 9335 or the Attrition Act of 2005.

The task was undertaken in the following stages: (i) design of strategy map and key result areas, (ii) identification of performance measures and target setting, (iii) development of PMS information system—a computerized monitoring system of performance data, (iv) design of rewards allocation system, and (v) performance evaluation of office and individuals of the LTS using the PMS metrics.

The EMERGE team submitted to BIR a PMS Guidebook, which contains the processes and procedures the component teams followed in implementing the PMS in the LTS. Another key output completed and submitted by EMERGE to BIR was the software application, Performance Management Information System.

EMERGE also contracted a legal expert to assist an inter-agency committee draft the implementing rules and regulations (IRR) for the Attrition Act.

- EMERGE team continued the task of assisting the BIR in installing PMS at the regional offices and other offices of the BIR. The technical task was primarily driven by the need to implement the Attrition Act. Since there is not enough time for the development of individual-level PMS to cover all officials and staff of the Bureau, it was decided that a hybrid of office-level PMS and the existing individual CSC-Performance Evaluation System will be used in the interim.

The technical assistance task consisted of basically the same components and activities carried out in the development of the PMS in the LTS, except that it added components such as (i) enhancement of the PMIS and its installation in the BIR server, and (ii) performance evaluation simulations.

- The EMERGE PMS team formally rounded up its technical assistance in May 2007 with the submission of the Office Performance Management System (OPMS) Guidebook, which summarized the activities and outputs of the technical assistance rendered. The guidebook contains the various PMS tools, which include strategy maps, office performance contract and performance evaluation templates, performance measure dictionaries, rewards framework and simulation. It also contains the functional specification requirements and user's guide of the

Performance Management Information System (PMIS), a web-based database application program designed to facilitate the encoding and processing of measurement data to arrive at performance ratings for offices, officials and employees of the bureau.

- Another follow-on technical assistance was provided by the Project to the BIR 2008 on the implementation of PMS. The follow-on technical assistance consisted of reformulating some of the office scorecards, instituting certain fixes in the PMIS and training of new staff.
- Aware that the EMERGE TA to develop PMS did not cover the setting up of revenue goal allocation assignments on which the PMS components should be hinged on, EMERGE was requested to provide technical assistance on designing a rational system for rational goal allocation.

The task was designed with two components. The first component was on the interim revenue goal allocation to regions, districts, and individuals for CY 2007. The second component was on the long-term revenue goal allocation for CY 2008 and beyond.

- EPRA conducted an initial study recommending how the fees of BIR's authorized agent banks (AABs) can be restructured to encourage them to provide better services to taxpayers and increase tax collection. When EPRA closed, EMERGE continued the assistance to BIR to implement the recommendations.

Based on specifications in the technical assistance's scope of work, an existing application being used by AABs was revised. This was followed with a training of concerned BIR and Bureau of Treasury (BTr) staff, and a presentation of the proposed changes to the Bankers Association of the Philippines.

Reform Milestones Achieved:

- BIR accepted and implemented the individual performance management, rating and incentive allocation system designed by the EMERGE consultants for the LTS starting in 2005⁵.
- EMERGE completed the draft of the IRR of the Attrition Act which was submitted to DOF Secretary Margarito Teves who approved and endorsed it to the Congressional Oversight Committee. The IRR was eventually approved by the oversight committee on May 30, 2006.
- BIR accepted the PMS project outputs submitted by EMERGE and started implementation. The BIR issued RMO 15-2008, instituting PMS and the monitoring and accomplishment reporting system. As provided in RMO 15-2008, the Policy and Planning Service shall consolidate and prepare the CY2008 mid-year and annual performance review in line with the Attrition Law.
- In February 2008, BIR issued Revenue Regulation No. 2-2008, prescribing the rules and regulations on the collection and remittances of taxes paid to AABs. This was followed in

⁵ The implementation of the PMS in LTS, however, was suspended when Commissioner Parayno and Deputy Commissioner Henares (head of LTS) left BIR. The LTS staff lobbied for the suspension of the PMS implementation until such time that it can be applied to all BIR offices, because they received lower performance ratings from the PMS compared to the PES used in other offices of the BIR.

March 2008 by the issuance of RMO No. 11-2008, which provides for a new set of criteria in the accreditation of AABs and the mechanism in monitoring and evaluating the performance of AABs.

Reform Objective 1.2. Raise the efficiency of public spending

Reducing the Philippine government's fiscal deficit may well depend more on the revenue than the expenditure side of government finances, but pressure to raise the efficiency of the public sector bureaucracy and the cost-effectiveness of government expenditures is constant. In 2003, Republic Act (RA) No. 9184, otherwise known as the Government Procurement Reform Act, was passed. The Act simplified the system of procurement and codified the patchwork of laws and regulations on procurement that contributed to the confusion and corruption in government procurement. In 2004, the President issued Executive Order (EO) 366 which mandated the strategic review and restructuring of national government departments, agencies and corporations in the executive branch in order to improve the quality and efficiency of public service. Reforms in budgeting procedures have likewise been initiated to promote fiscal discipline, strategic allocation, and operational efficiency in budget preparation and implementation.

At the helm of public expenditure management reforms is DBM. To effectively implement RA 9184, DBM considered it important to develop manuals and standard bidding documents and to train government officials and staff involved in public procurement. EO 366 mandated DBM and the Civil Service Commission (CSC) to provide direction and assistance to the various government agencies in the preparation of their rationalization plans, and to review and endorse approved agency rationalization plans to the President. Aside from these programs, DBM initiated reforms in the budget procedure towards transparent, output-based and performance-oriented budgeting system. These include the adoption of Medium-Term Expenditure Framework (MTEF) and Organizational Performance Indicator Framework (OPIF).

Reform Result 1.2.1. Government bureaucracy more cost effective

Description and Objectives: The EMERGE Project worked to help the Secretary of Budget and Management and the Chairperson of the Civil Service Commission carry out the objectives of Executive Order No. 366 on October 4, 2004. President Gloria Macapagal-Arroyo ordered the strategic review and restructuring of the national government departments, agencies and corporations in the Executive Branch.

The President instructed heads of Departments to form Change Management Teams who will assist them formulate and implement Rationalization Plans for all agencies and corporations attached to the department and to submit these to the DBM and CSC for review and endorsement to the President. To mitigate the impact on government personnel, the EO provides a reasonably attractive separation incentive to employees who would be adversely affected by the functional review. The separation program is voluntary and government employees of deactivated units and functions have the option to retire with better than ordinary incentives or to be redeployed by CSC to other frontline agencies of the government, if not to schools and hospitals.

This program of the government aims at improving the quality and efficiency of public service through the implementation of government-wide measures including deactivating/abolishing irrelevant agencies and programs/projects, phasing-out or consolidating duplicating functions, while

reinforcing the most vital functions and core mandates. The restructuring plans of each department shall contain a review of the mandate, vision and directions of the agency, and the appropriate changes to its programs/projects, organization and staffing in light of the changing environment and the 10-Point Agenda of the President. In the case of attached corporations, the Plan will likewise contain a financial rehabilitation plan to enable losing corporations to be financially viable in the shortest possible time. If properly done and implemented, the Rationalization Plans will serve as good foundations for a purposive institutional strengthening of government through next-step expenditure management and administrative reforms, and will assist in the restructuring of the budget towards growth-enhancing capital expenditures.

Counterparts: In this reform component, EMERGE extensively worked with the Department of Budget and Management (DBM). DBM oversees the preparation and implementation of the national government budget.

Activities Accomplished:

EMERGE supported DBM, through the Development Academy of the Philippines (DAP), in the review and assessment of the rationalization plans of each department and agencies. The initiative is pursuant to the Executive Order No. 366 (series of 2004) which directed a strategic review of the operations and organizations of the executive branch.

Sector experts, who had held key government positions, were tapped to evaluate and recommend measures to rationalize the executive departments. Thirteen sector and three sub-sector experts covered the following sectors: Agriculture and Land Reform, Culture and the Arts, Defense, Peace and Order, the Interior and Local Government, Education, Environment, Finance, Foreign Relations, Health, Labor and Employment, Science and Technology, Trade, Industry, and Tourism, and Transportation, Communication, and Public Works.

Reform Milestones Achieved:

The restructuring plans of selected Departments and their attached agencies were refined and improved with assistance from the Development Academy of the Philippines (DAP) and sector experts. (The status of submissions of agency rationalization plans as of June 30, 2008 is found in Annex 1.1)

The status of submissions of agency rationalization plans as of June 30, 2008 is shown in the immediately following Table. Of the 81 agency rationalization plans submitted, 28 have been approved by DBM. Together with CSC, it will submit the refined agency restructuring plans to the President for approval.

Reform Result 1.2.2. Public expenditure management improved

Description and Objectives: The EMERGE Project worked to help the Undersecretary of Budget and Management improve the capability of Departments implement an output-based budgeting system. The budgeting improvement tool is called the Organizational Performance Indicator Framework (OPIF). The Department of Budget and Management had trained respective staff of eleven Departments to implement the OPIF. Measures to further improve the management of the public expenditures include a system for monitoring the implementation of OPIF by these

Departments and training program to expand and improve the use by GRP agencies and Departments to use the framework.

The issue of transparency and efficiency in public sector service delivery is important throughout the Philippine government. Planning is seldom adequately linked to budgetary expenditures, which contributes to chronic inefficiency. At the request of the Undersecretary of Budget and Management (DBM), this activity will help institutionalize tools such as the OPIF and flexibility-accountability mechanisms that introduce: (a) aggregate fiscal discipline, (b) efficiency into public sector operations, and (c) efficiency in allocation of government resources.

**Status of Implementation of the Government Rationalization Program
Under Executive Order 366 (series of 2004)**

STATUS	DEPARTMENTS	OTHER EXECUTIVE OFFICES/ AGENCIES	GOVT-OWNED AND CONTROLLED CORPORATIONS	TOTAL	
				Number	Percent
A. Plans submitted to DBM	18	27	36	81	75
1. Approved by DBM	2	16	10	28	26
1.1 attached agencies	5*			5*	
2. Evaluated but not approved	2	1	-	3	3
2.1 attached agencies	2*				
3. Under evaluation				2*	
3.1 complete submission	9	9	18	36	33
3.2 partial submission	4	-	4	8	8
4. Plans returned for revision	1	1	4	6	5
B. Plans not yet submitted	2	1	24	27	25
TOTAL	20	28	60	108	100

* Rationalization plan not counted individually, but part of mother department's overall plan.

The MTPDP identifies strategies for improving public sector governance on a number of fronts. Reforms in public financial management and public administration are highlighted as ways of achieving fiscal sustainability and, thereby, ensuring sustained growth with equity and macroeconomic stability.

Counterpart: The Undersecretary of the Budget and Management

Activities Accomplished:

- EMERGE engaged a US consultant to help the DBM learn about the Performance Assessment and Review Tool (PART) used by the US government's Office of Budget and Management (OBM) to assess the performance of government units.

EMERGE provided an expert to DBM to work on a model to predict cash flows for Department. . The model would guide DBM in the quarterly – versus monthly – issuance of notices of cash allotments quarterly instead of monthly. It would also be used to provide DBM inputs into an inter-agency cash programming exercise. The model is based on a methodology for forecasting revenues collected by BIR and the Bureau of Customs (BOC), which account

for 87 percent of total national government revenues. This task was completed in September 2005.

- EMERGE provided technical assistance to DBM towards the tracking of fund releases from lump sum appropriations in order to increase transparency and accountability in their utilization. It was dubbed “eLAMP,” for “electronic Lump-Sum Appropriations Management Program.

The technical assistance had two components: (i) design and development of information systems that will streamline and automate the budget releasing process for projects funded out of lump-sum appropriations, and (ii) installing in the DBM website a Content Management System (CMS) to facilitate the updating of fund release information. The specific lump-sum appropriations covered were (i) Priority Development Assistance Funds (PDAF), (ii) Internal Revenue Allotment (IRA), (iii) Department of Public Works and Highways-Congressional Allocation (DPWH-CA), and (iv) School Building Program (SBP).

The applications are viewed to allow DBM to streamline and automate the preparation of Special Allotment Release Orders (SARO) and Notices of Cash Allocations (NCAs) for capital projects and allocations to local government units covered by lump sum appropriations. They will also provide a system for generating, processing, and reporting budget releases, and tracking the expenditure of lump sum appropriations.

Reform Milestones Achieved:

- The methodology for forecasting revenues collected by BIR and BOC was presented. DBM Undersecretary Pascua accepted the methodology and requested EMERGE to train her staff on the use of the model.
- Background information and analysis on the appropriateness of instituting a debt cap was provided to DBM as inputs in drafting the Fiscal Responsibility Bill (FRB). A methodology for computing the debt cap based on the IMF fiscal stress test model of debt sustainability was also recommended. This was adopted by the group and written into the FRB working draft that was subsequently submitted to the Senate Finance Committee. FRB was filed as House Bill No. 3890 and Senate Bill No. 1968. Both bills are currently at the committee level.
- The technical assistance outputs of e-LAMP were presented to the DBM Senior Officials Council (SOC) composed of the DBM secretary, undersecretaries, and assistant secretaries. SOC positively received the presentation and expressed its interest in extending the application to other DBM-managed lump sum funds, such as the Bicol rehabilitation fund.

Reform Result 1.2.3 Procurement reform implemented

Description and Objectives: The EMERGE Project worked to help the Government Procurement and Planning Board through the Undersecretary of Budget and Management improve the implementation of Government Procurement Reform Act of 2002. Procurement manuals and standard bidding documents have already been written. The Undersecretary required an analysis of the alignment of the two sets of documents. Procurement manuals were drafted with technical

assistance from USAID/Philippines while the World Bank assisted the GPPB write the standard bidding documents. In addition, the Undersecretary required an analysis of whether the existing procurement procedures have incorporated the existing best practices in the procurement of goods, infrastructure, and services, extracted from a representative sample of public procurement activities of various GRP Bids and Awards Committees, and from the private sector. It is recognized the private corporate sector have developed efficient procurement systems, which the government may need to explore and adopt if found useful.

Counterpart: Undersecretary of Budget and Management

Activities Accomplished:

- Through an earlier World Bank assistance project, DBM drafted procurement manuals tailored for selected agencies. Undersecretary Pascua subsequently requested EMERGE to assist in aligning the customized manuals with the standard procurement manual and the Government Procurement Reform Law.
- Related to the immediately preceding task, this technical assistance proceeded from a request of Government Corporate Counsel Justice Agnes Devanadera for assistance in the training of the legal staff of the Office of the Government Corporate Counsel (OGCC) on the Government Procurement Reform Act.

The training included an overview of the procurement law and its IRR, the general and specific conditions of a procurement contract, and audit red flags. The training also incorporated the use of the second edition of the Philippine Bidding Document (PBD).

Reform Milestones Achieved:

- EMERGE completed a matrix of inconsistent text in procurement manuals vis-à-vis bidding documents, as well as misaligned provisions in either the manuals or bidding documents used in accordance with the law. This matrix is now used by the Technical Support Office of the Government Procurement Policy Board (GPPB) to correct the inconsistency or misalignment and to develop procurement case situations, highlighting the application of the law and its implementing rules and regulations (IRR), with World Bank support.
- A training program on procurement reform for OGCC was completed in October 2005. A total of 200 legal staff members of OGCC and government-owned and –controlled corporations (GOCCs) were trained on government procurement reforms. In December 2005, during the 75th anniversary celebration of the OGCC, Justice Agnes Devanadera cited EMERGE for this assistance with a plaque of appreciation in a program held at the Cultural Center of the Philippines.

EMERGE Success Indicator – Fiscal Sustainability

The Philippines has made significant progress in containing the government’s fiscal deficit and reducing the stock of public debt. The national government fiscal deficit has progressively declined from 3.84 percent of GDP in 2004 to 1.07 percent in 2006 and 0.19 percent in 2007. The stock of national government debt has been reduced substantially from 95.36 percent of GDP in 2004 to

63.12 percent in 2007. The reduction in budget deficit has been achieved through a combination of higher revenue effort and controlled government spending. Revenue effort has increased from 14.36 percent of GDP in 2004 to 17.10 percent in 2007. National government expenditures, on the other hand, have been reduced from 18.20 percent of GDP to 17.28 percent during the same period. Nonetheless, there was noticeable improvement in the composition of national government expenditures in 2007. Expenditures on personal services and interest payments, as a percentage of GDP, declined steadily, but expenditures on infrastructure and other capital outlays increased from 1.93 percent in 2004 and 1.64 percent in 2006 to 2.19 percent of GDP in 2007, while maintenance and other operating expenses increased from 1.72 percent in 2004 and 1.56 percent in 2005 to 1.93 percent of GDP in 2007.

**National Government Revenues Disbursement and Fiscal Position
(Percent of GDP)**

Particulars	2003	2004	2005	2006	2007
Revenues	14.57	14.36	14.99	16.24	17.10
Tax Revenues	12.50	12.28	12.96	14.25	14.03
Bureau of Internal Revenue	9.89	9.61	9.97	10.82	10.73
Bureau of Customs	2.47	2.51	2.84	3.28	3.15
Nontax Revenues	2.08	2.09	2.03	1.99	3.06
Disbursements	19.22	18.20	17.69	17.31	17.28
Current Operating Expenditures	16.49	15.37	15.28	14.99	14.25
Personal Services	6.42	5.81	5.44	5.38	5.27
Maintenance and Other Operating Expenses	1.83	1.72	1.56	1.66	1.93
Interest Payments *	5.27	5.36	5.88	5.14	4.03
Capital Outlays	2.60	2.72	2.38	2.32	2.89
Infrastructure and Other CO	1.80	1.93	1.66	1.64	2.19
Surplus/(Deficit)	(4.65)	(3.84)	(2.70)	(1.07)	(0.19)
Total NG Outstanding Debt	94.50	95.36	82.19	73.29	63.12

Source: Budget of Expenditures and Sources of Financing

Reform Theme 2 – Expanded Trade and Investments

Helping reformers sustain and advance liberalization of trade and investment policies was an essential commitment for EMERGE. Such renewed liberalization is urgent. The Philippines' major competitors for all of its principal export products (electronics, garments, coconut and competing oils, fish and fish products) have initiated negotiations on free trade agreements in key markets. This means additional competitive pressure on local producers. Moreover, China attracted US\$54 billion in FDI in 2003, a rise of 18 percent over its inflow for 1998 (US\$45 billion). During the same period, ASEAN's annual FDI inflow dropped by more than 60 percent, from US\$17.5 billion to US\$6.8 billion, and that of the Philippines, from US\$1.6 billion to US\$161 million. For the Philippines, the only response to this situation was to open its markets and make the conditions of trade and investment more certain and transparent.

To advance this reform theme, EMERGE embarked on helping the GRP address two broad policy issues:

1. Lower trade barriers and facilitate trade
2. Liberalize and facilitate investments

Reform Objective 2.1 Lower trade barriers and facilitate trade

Despite progress on tariff reduction, including a unilateral declaration at the 1996 APEC summit committing the Philippines to a flat 5 percent tariff by end 2004, backsliding has occurred in the form of rate increases and lingering high tariffs for sensitive industrial and agricultural products. Several industry associations were clamoring for increased protection. Non-tariff barriers remain, especially Minimum Access Volume (MAV) restrictions, often combined with tariffs, to limit agricultural imports (e.g., rice, corn, poultry, pork). The government's tariff reduction policy is unclear at this point. Finally, the Philippines has made WTO/ASEAN/APEC commitments on customs valuation, trade facilitation (alignment with Revised Kyoto Convention), sanitary-phytosanitary standards, and rules of origin. Fully implemented, such commitments should boost the Philippines' competitiveness in a just-in-time world.

Critical in achieving this reform objective was to help the GRP develop its own capacity to lower trade barriers and facilitate trade between the Philippines and its trading partners. Central to this capacity development initiative points to establishing mechanisms as well as institutions through which these measures would be made possible.

Reform Result 2.1.1 Tariff restrictions and NTBs eased

Background and Objective: Competitive exports require access of exporters to internationally competitive imported materials. The conventional approach has been to confine these exports activities requiring duty and tax-free imports to be confined in special economic zones. In the context of developing competitive, export oriented supply chains, EMERGE has been discussing with the Governor of the Board of Investments how the investments may be promoted based on location-specific factors rather than fiscal incentives.

Done in the context of promoting competitiveness of exports, tariff and NTB reforms are generally accepted. That is because these reforms are confined within a specific zone of the economy and are expected to spare the domestic economy of adjustments costs. As the competitive pressure builds up with more of the country's competitors negotiating free trade agreements with the country's markets, the country will need to broaden these zones of duty free importations. The Philippines is negotiating with its trading partners for similar preferential trade arrangements. Easing of tariff restrictions or NTBs in the context of promoting investments and exports in specific supply chains may be required particularly if the production of the exportable is difficult to confine in a given area of the economy.

These events will compel the country to look into the nature of the adjustment cost of tariff and NTB reforms and to design ways how to compensate previously protected industries by facilitating investments by owners of these industries in export-oriented businesses.

This thrust is better done in the context of promoting investments in the development of export-oriented supply-chains.

Counterparts: The EMERGE Contractor worked with trade-related agencies such as the Tariff Commission, among others.

Activities Accomplished:

- EMERGE worked with the Tariff Commission on initiating measures to assess the economic impact of the tariff reform program and the country's participation in regional trade agreements.

EMERGE started work on developing the TOR for this task in coordination with officials of the Philippine Tariff Commission. The proposed TOR was supposed to be an ex-post assessment of trade liberalization in the country to complement the ex-ante assessment of the tariff reforms using a general equilibrium model of the Philippines, which was done for the Commission by the John Curtin Institute of Public Policy.

However, the task was not eventually pursued for several reasons. Initially, work was put on hold in May 2006 because of the reduction in EMERGE budget. Work resumed in August 2006 but this time, in coordination with GTZ. EMERGE participated in two roundtable discussions (Oct 23 and Dec 16, 2006) organized by GTZ with members of the academe and researchers. In these meetings, the group agreed (i) on the questions and issues to be addressed by the impact assessment; (ii) that industry studies are preferred over computable general equilibrium (CGE) analysis; and (iii) that the core methodology for conducting the industry studies should be developed first, prior to conducting the studies.

However, given the June 2007 deadline for EMERGE to close its Phase 1 technical activities, EMERGE was aware that the TA that it can deliver to Tariff Commission would be limited to just the development of the methodology, with the hope that GTZ or the other development partners would later support the conduct of the industry studies using the developed methodology. However, USAID preferred that the TA should demonstrate a more tangible output. That is, apart from developing the appropriate methodology for the industry studies,

there should be one or two industry studies demonstrating the said methodology. EMERGE however, found that this was no longer feasible, given the time constraint.

The above approach preferred by USAID for implementing this task was the same approach that EMERGE wanted to undertake as early as August 2006. At that time, EMERGE, in consultation with Tariff Commission officials, planned to implement the TA in two phases: Phase 1 would have been a concept paper that would (i) define the issues and questions; and (ii) determine the methodology and approaches of the study. Phase 2 would be the conduct of the study itself. Implementation of the two phases was then well within the schedule of EMERGE. But this planned approach was derailed by the meetings and roundtable discussions organized by GTZ, until there was no longer time to implement the TA.

Reform Result 2.1.2. Trade Facilitated

Background and Objective: The Commissioner of Customs has asked the EMERGE contractor technical assistance in his program to modernize customs administration and install a risk management program that facilitates trade and promotes compliance by importers with customs taxes and duties, laws and regulations.

The compliance program has three components: selectivity system; super green lane (SGL) facility and post entry custom audits. The success of the program depends upon how efficiently risk is managed. With best use of information technology, the Bureau can differentiate between high- and low-risk importers without imposing unduly high transaction cost. Among the important enabling tools to make use of the technology are the data warehouse, the convention for the proper description of goods, the management information system, systems reengineering, the strengthening of the post-release transactions-based liquidation/billing system, and the information systems plan.

Latter Customs Administration broadened this technical assistance to include the objective of aligning customs practices, regulations and procedures to international best practices and standards, including the Revised Kyoto Convention (RKC).

Counterparts: The EMERGE Contractor worked with GRP agencies involved directly in cargo clearances, including the Bureau of Customs.

Activities Accomplished:

- In 2004, then Commissioner of Customs George Jereos requested EMERGE to assess the performance and capability of the Bureau's Post Entry Audit Group to perform its audit functions under R.A. 9135 and its implementing regulations. Based on this assessment, EMERGE submitted to the Commissioner a set of recommendations aimed at improving the performance and capability of the audit group as well as institutionalizing the proposed improvement.
- EMERGE supported BOC in preparing a diagnostic study which gave the Bureau of sense of the gaps that need to be filled to be able to develop a Risk Management system comparable to best practice standards. In particular, EMERGE supported a diagnostic study on liquidation and billing and made an assessment of BOC capability to undertake risk management.

- EMERGE supported the Export Development Council (EDC) in identifying a clear path on how the Philippines should respond to the Revised Kyoto Convention (RKC)'s imminent entry into force and to accelerate the pace and institutionalize the gains of trade facilitation and customs reforms and modernization. EMERGE helped the council establish National Strategy for RKC compliance as well as a work plan for the implementation of the National Strategy.
- EMERGE provided technical assistance to BOC in drafting the Book of Customs Regulations which will systematize and align all customs regulations and procedures with the standards and recommended practices of the RKC and other international legal standards and the world's best practices.
- EMERGE provided technical assistance to BOC to harmonize and secure coherence of the draft customs regulations in line with the provisions of the draft Customs and Tariff Modernization Act, which was carried out through the assistance of USAID-supported Millennium Challenge Account – Philippine Threshold Program (MCA-PTP).
- EMERGE supported BOC in formulating a performance management system (PMS), a performance appraisal system and performance contracts, so that the BOC Lateral Attrition Implementation Committee could develop its own system of measuring, monitoring, rating and rewarding good performance in compliance with the Lateral Attrition Act of 2005. Specific activities involved the following:
 - Conducting a two 2-day workshop on the basic principles and requirements for a functioning PMS for its possible installation at the BOC.
 - Providing technical assistance to the BOC in drafting the Customs Memorandum Order (CMO) summarizing guidelines on goal allocation, rewards framework, discussions on attrition and process of conducting performance evaluation/non-financial target setting based on pilot site results done at the Port of Manila (POM).
- Provided technical assistance to the BOC for the introduction of the Voluntary Disclosure Program (VDP) under the customs post entry audit system. It also includes the measures taken to enhance the capability of the Post Entry Audit Group (PEAG) to conduct customs post entry audits. The technical assistance has the following components:
 - *Voluntary Disclosure Program.* This is designed to enhance the level of importers' customs compliance by providing a non-punitive facility to correct honest errors in entry declaration and to generate immediate additional revenue with considerably less resource requirements than a full-scale audit.
 - *Audit Manual and Process Enhancement.* This involves documentation and structuring of select, core PEAG business processes to develop a sound periodical audit program through effective risk profiling, audit selection and productive field audit work.
 - *Training Needs Analysis and Design.* This covers seven areas, namely: personal skills, interpersonal skills, management/operational, data management, customs operations, customs audit, and risk management divided into basic, intermediate, and advanced levels of competencies.
 - *Reference Library.* The program includes the effort to help expand the knowledge base of PEAG officers/researchers by providing the office with an electronic file of collated reference materials that are relevant to customs audit work, including a compilation of basic international trade agreements.

Reform Milestones Achieved:

- The National Competitiveness Summit adopted the recommendation of the RKC study for Congress to work on the immediate accession of the country to the RKC. President Gloria Macapagal-Arroyo attended the Summit on October 6, 2006. The President likewise created the National Competitiveness Council to monitor the implementation of the action plan it adopted. Private sector also endorsed the accession and compliance to the Revised Kyoto Convention (RKC) to President Arroyo and BOC Commissioner Morales adopted the National Strategy for the Philippine accession on February 5, 2007. President Arroyo signed and endorsed to the Senate the Instrument of Accession to the RKC on February 1, 2008.
- The EMERGE consultant team, together with its BOC counterpart, drafted the rules and regulations governing the Voluntary Disclosure Program. The policy document, embodied in Customs Administrative Order No. 5-2007 was approved and issued by the Department of Finance (DOF) on May 29, 2007.
- The composite team (EMERGE and BOC) also drafted the implementing regulations for the Program. The initial draft was presented in a workshop attended by the PEAG staff and Deputy Collectors for Assessment of the three metro ports: Port of Manila (POM), Manila International Container Port (MICP) and the Ninoy Aquino International Airport (NAIA). The amended draft, based on the inputs of the workshop participants, was submitted to the Commissioner, signed and issued as Customs Memorandum Order No. 18-2007 on July 6, 2007.
- EMERGE assisted BOC to prepare the draft CMO on rewards and attrition in March 2007. However, BOC's 15 district collectors refused twice to sign "Collection District Performance Contracts"; the matter remains for discussion by the Revenue Performance Evaluation Board.

Reform Result 2.1.3. Administration of SPS measures streamlined

Background and Objective: The EMERGE Technical Assistance to the Department of Agriculture (DA) was in response to the request of DA Undersecretary Segfredo Serrano to rationalize and streamline the administration of sanitary and phytosanitary (SPS) measures so that these effectively address the safety requirements while remaining facilitative of trade. The administration of SPS at the DA is shared by several agencies: Bureaus of Plant Industry (BAI), Animal Industry (BAI), Fisheries and Aquatic Resources (BFAR), and Agriculture and Fisheries Product Standards (BAFPS), as well as the National Meat Inspection Service (NMIS).

The TA was implemented in two phases. The first phase was a diagnostic module which was completed in January 2006. The project team worked closely with the inter-agency SPS Task Force consisting of selected DA officials. Under this module, the most trade-important SPS measures were identified and the legal, organizational and procedural arrangements for implementing SPS measures were assessed, highlighting the weaknesses of the present system and recommended areas for improvement. The findings came in five (5) reports: (i) SPS regulations and their importance to trade; (ii) legal parameters in the administration of SPS systems; (iii) organizational system for SPS administration; (iv) SPS business processes; and (v) change management.

Following the completion and success of first phase, DA Undersecretary Segfredo Serrano requested additional EMERGE TA (i) to prepare and implement a plan of action to institutionalize the two regulatory organizations, which was planned to take effect in 2008; and (ii) to streamline and harmonize SPS business procedures. This second phase of the TA is important to producing actual results on improved SPS administration. Throughout the duration of the TA, the team worked very closely with a Technical Committee (TC) created through a Special Order issued by the then DA Secretary Panganiban. The TC was composed of six DA regulatory agencies: Bureaus of Plant Industry (BPI), Animal Industry (BAI), and Agriculture and Fisheries Products Standards (BAFPS), National Meat Inspections Service (NMIS), Fisheries and Aquatic Resources (BFAR) and the Fertilizer and Pesticide Authority (FPA).

The TA provided the technical groundwork for achieving the goals of the DA of a more effective, efficient, consistent, and transparent administration of the SPS regulations. The streamlined and harmonized business procedures eliminated the redundant and irrelevant documentary requirements. This is expected to reduce the processing time by 3 to 5 days, and hence, the cost of SPS administration.

This activity paved the way for the pilot implementation of the Philippine national single window between the Bureau of Customs and the Department of Agriculture. The harmonization accomplished facilitated the connectivity between the two government agencies.

Counterparts: The EMERGE Contractor worked with GRP agencies involved directly in cargo clearances, including the Bureau of Customs, the Department of Agriculture and the Department of Trade and Industry.

Activities Accomplished:

- EMERGE provided technical assistance to the DA in preparing a diagnostic module, which identified the most trade-important SPS measures and document and assess the current legal, organizational, procedural, and technical arrangements and resources for implementing these measures. Diagnostic studies were conducted on four SPS regulatory agencies namely, Bureau of Animal Industry (BAI), Bureau of Plant Industry (BPI), National Meat Inspection Service (NMIS), and Bureau of Agriculture and Fisheries Product Standards (BAFPS).
- Building in the diagnostic phase, EMERGE assisted DA in (i) preparing and implementing a plan of action to institutionalize the two regulatory organizations; and (ii) streamlining and harmonizing SPS business procedures. The TA involved the following:
 - *Development of SPS policy framework.* The framework is deemed to guide the various regulatory agencies in the implementation of SPS measures.
 - *Development of interim organizing arrangements leading to the dual agency SPS administration.* This particular activity assisted the inter-agency team to: (i) develop the organizational structure, and policy systems and procedures; (ii) identify required personnel positions; (iii) determine technical requirements for the organizations, like hardware, equipment, laboratories, facilities, etc.; and (iv) identify the physical factors that will promote and facilitative efficiency in the working environment.
 - *Development and streamlining business procedures for enforcing SPS measures.* The business processes covered by this activity include the following:
 - Issuance of import permit

- Import inspection processes
 - Accreditation of importers/treatment providers
 - Export inspection process
 - Issuance of export clearance
 - Accreditation of exporters
 - Inspection of treatment for wood
 - *Development of operating manuals for the streamlined business procedures.* Operating manuals for each of the business processes in task (3) above were developed to promote transparency and efficiency in enforcing SPS measures as well as reduce the time, cost and effort required on the part of private business
 - *Systems architecture on processes.* A framework system for SPS and other border processes was developed to promote a structured interface and data sharing among the Bureau of Customs (BOC), BAI and NMIS in implementing inspection procedures for meat imports; in monitoring use of, or recalling, such imports; and in issuing permits for further imports will increase the efficiency for all players.
- Provided assistance in conducting the workshop to convene the various relevant agencies that will become part of the National Single Window (NSW) network, which produced a work plan that was presented to the NSW Steering Committee. The initiative was pursuant to Executive Order (EO) 482, which created the NSW Task Force for Cargo Clearance on December 27, 2005, to ensure a coherent and effective formulation, coordination, implementation and monitoring of the international trade NSW. The NSW will allow (a) a single submission of data and information; (b) a single and synchronous processing of data and information; and (c) a single decision-making for customs inspection, clearance, and release of cargoes.
 - Seeking to sustain efforts to establish and implement NSW in the context of ASEAN obligations, EMERGE provided additional technical assistance to BOC in initiating the operationalization of the NSW in at least two nodes – the Department of Agriculture (DA) and the Department of Trade and Industry (DTI). The technical assistance, in particular, produced a technical report, which highlights documentation and analysis of implementation experience as well as specific suggestions on structures governing organization and data management, cargo clearance decision-making, and NSW design.

Reform Milestones Achieved:

- The EMERGE consultant team assisted DA in drafting a special order signed by the Secretary to create an SPS Task Force which held its first meeting on 9/14/05.
- DA adopted one of the recommendations by the diagnostic study team—to reorganize the SPS administration under two agencies— in its rationalization plan pursuant to EO 366. One agency will be for standards setting and the other for enforcing regulations.
- As a result of the EMERGE technical assistance, a DA Administrative Order (AO) on the Guidelines for the Importation of Agricultural & Fishery Products was drafted and endorsed to the Office of the DA Secretary. On September 8, 2008, Secretary Yap signed DA Memorandum Order No. 15-2008. The MO adopted the harmonized import clearance and inspection processes proposed by the CVAI consultant team.

- On December 19, 2006, Finance Secretary Margarito Teves and Agriculture Secretary Arthur Yap signed their Memorandum of Understanding (MOU) to create a technical working group to design and conduct a pilot implementation of the national single window for the cargo clearance of regulated imported agricultural products.
- On October 7, 2008, Customs officials successfully conducted a demonstration of the upgraded automated customs administration, called e2M with the National Single Window component to President Gloria Macapagal-Arroyo and her cabinet.

Reform Result 2.1.4. Compliance with product technical regulations & standards increased and cost of compliance reduced

Background and Objective: Philippine Exporters often face difficulties when introducing their products into a new market. Different countries impose regulations governing the technical requirements for products, which can be expensive for exporters to understand and comply with. Even with existing WTO agreements regarding Technical Barriers to Trade (TBT), TBTs still continue to exist and impose unnecessary and significant cost on producers and exporters.

TBTs come in the form of technical regulations, standards and conformity assessment procedures being proposed by countries on particular products. TBT Notifications are published regularly through the WTO Secretariat to give chances to affected countries to comment before proposed regulations are finalized and implemented.

While compliance with standards is voluntary, this is not so for technical regulations. The latter are mandatory measures required by government to ensure that products do not adversely affect legitimate public policy concerns, such as the protection of human health and safety and the environment. An export product will be denied entry for noncompliance with technical regulations. The increasing use of technical regulations along with the successive reduction in tariffs and their impact on market access have resulted in TBTs becoming one of the major impediments to the international flow of goods.

Philippine exporters encounter a number of difficulties in complying with the standards and technical requirements of their export markets. First, there are no available national inventory of technical regulations, standards and conformity assessment procedures affecting exports. Oftentimes, queries remain unanswered due to one or more of the following reasons:

- Information is not known to the agency receiving the query
- Level of implementation at the national level itself is low
- Regulation has not been updated in relation to related or referred standards as and when they are revised

Second, there is no mechanism for involving the business community in making comments on national and foreign notifications from the WTO about TBT. The TBT Agreement contains transparency provisions that seek to reduce discriminatory or trade restrictive measures at an early stage in the regulatory process, so that the Philippine industries are not faced with unnecessary obstacles to trade. Transparency in this context is closely linked with notification requirements.

Thus, concerned stakeholders are urged to request copies of texts of the proposed measures, review and comment on those areas that may have an impact on international trade.

To assist Philippine exporters comply with the requirements of importing countries, it is essential that these stakeholders have extensive access to information about standards, both national as well as international, and various regulations relating to trade. Likewise, the BPS, as the National Standards Body of the Philippines and the National Notification Authority and Enquiry Point under the WTO TBT Agreement, needs to upgrade its existing IT equipment to disseminate information in order to fulfill its obligations and benefit from the TBT notification provisions.

This component initiated from the joint request of Dir. Jesus Motoomull of the Bureau of Products and Standards (BPS), the Export Development Council (EDC), PhilExport, and the Philippine Chamber of Commerce and Industry (PCCI). The primary objectives of the TA are two-fold. The first objective is to provide the Philippine business community, particularly exporters, with a one-stop gateway information on standards, conformity assessment requirements, and trade-related regulations of the Philippines as well as the country's major trading partners. The business community's access to this information and their compliance with the requirements of their trading partners will facilitate trade, improve their market access and reduce their business transaction costs. The latter is important for them to be globally competitive.

The second objective is to enhance the capability of the National Technical Barriers to Trade Coordinating Committee (simply known as the National TBT Coordinating Committee) in providing policy direction for the effective implementation of the country's commitments to the WTO TBT Agreement and other bilateral/regional agreements.

Counterparts: Throughout the technical assistance, EMERGE worked with GRP, public-private organizations and the business community. These organizations include Bureau of Products and Standards (BPS), Bureau of Exports Trade Promotion (BETP), DTI- Management Information System (DTI-MIS), the Export Development Council (EDC), Philippine Exporters' Confederation, Inc. (PhilExport) and the Philippine Chamber of Commerce and Industry (PCCI).

The technical assistance was carried out in cooperation with the ECA of the EU-TRTA Program, which during that time was also extending TA on one of the portal's functionalities – the export alert and notification system.

Activities Accomplished:

- EMERGE supported the counterparts, particularly the BPS, in identifying the specification of the functional and systems requirement of the Standards and Conformance (S&C) portal. This is a preparatory activity to the development and establishment of the S&C Portal. In coming up with the functional and systems requirement, an assessment was first made on the current procedures and practices of the BPS in providing its services to the business community. Improvements on how to better address the business community's needs were then incorporated into the design of the portal.
- Based on the above TA, EMERGE extended its support for the development and operationalization of the Standards and Conformance (S&C) portal. The following are the TA's components and outputs:

1. Systems development and customization – The portal has seven (7) major systems: (i) content management system; (ii) database management system; (iii) notification/alert and commenting system; (iv) catalogue on-line or library system; (v) document management system; (vi) message forums and (vii) web store.
2. Data conversion and content development - The portal is dependent on the value and quality of its information content. The contents come in three (3) types: database, documents and articles. These three were processed, encoded and converted into forms that can be loaded and migrated to the portal.

An important output of this component is the HS-ICS Concordance. BPS is using the International Classification Standards (ICS) for its product codes for the Philippine National Standards (PNS), as it is mandated to do so by the International Standards Office. On the other hand, the business sector and other government agencies are following the Harmonized System (HS) for their product codes, as mandated by the World Trade Organization. A concordance for HS and ICS is necessary because: (a) exporters need to know the ICS-PNS code for their products; while (b) BPS needs to match its ICS codes with that of the HS codes when it receives notification from WTO for new/revised standards of member countries. The concordance will provide flexibility to all stakeholders of the portal, whichever code they are using. BPS created a Task Force to develop the concordance. The Task Force is composed of the following agencies: Tariff Commission, Bureau of Customs (BOC), Bureau of Export Trade Promotion (BETP), Bureau of Agriculture and Fisheries Product Standards (BAFPS), Bureau of Food and Drugs, National Statistical Coordination Board (NSCB), National Statistics Office (NSP) and BPS.

3. Enhancement of the capability of the Philippine Technical Barriers to Trade Committee (TBTCCom) – For this component, EMERGE assistance came in the form of the following:
 - i. workshops and meetings to organize the TBTCCom composed of government agencies, business sector and the academe;
 - ii. drafting of the Memorandum of Agreement (MOA) for the TBTCCom members to ensure their commitment to the work of the committee. The MOA was signed by heads of agencies and institutions represented in the TBTCCom;
 - iii. preparation of the TBTCCom Manual of Procedures; and
 - iv. formation of the Network of Technical Experts who will provide comments on proposed standards, technical regulations and conformity assessment procedures by WTO member countries. The director of the members of the network was also prepared.
4. Launching of the portal - The S&C Portal was launched during the 2nd Quarter General Membership Meeting (GMM) of PhilExport on 28 June 2007 at the Dusit Hotel in Makati. It was a very successful event, as shown by the 350 participants who attended, composed of exporters, industry associations and representatives from the academe and government sectors. Leading print and broadcast media such as ABS-CBN, GMA, Philippine Daily Inquirer, Philippine Star and Manila Bulletin covered the event.
 - o EMERGE donated its upgraded server to BPS Director Jess Motoomull. The server will sustain the operation of the Bureau's Standards and Compliance portal.

Reform Milestones Achieved:

- The BPS and the S&C Portal Project Steering Committee, in a meeting on Dec 18, 2006, accepted and adopted the specification of the systems and functionalities of the portal designed by EMERGE.
- The S&C portal was launched on 28 June 2007 during the 2nd quarter General Membership Meeting of PhilExport. Launch was led by DTI Secretary Favila, USAID Acting Mission Director Daniel Moore, PhilExport President Sergio Ortiz-Luis Jr., and PCCI President Mr. Donald Dee. There was a live demo on the functionalities of the portal. A kiosk was set up at the registration area. Many of the participants tried using the portal and expressed excitement and satisfaction.
- As of 9 September 2008:
 - S&C portal registered 5,384,138 hits and 112,433 visits. The number of hits refers to the times S&C portal components were visited. A single person may visit several components in a single visit to the site. Likewise, the public can view some of the components without necessarily registering to the portal. On the other hand, the number of visits refers to the times registered users of the portal visited the site.
 - number of registered portal users – 1,056.
 - number of inquiries sent to BPS via the Contact US Web Form of the portal – 309
 - number of inquiries posted via the Help Desk System of the portal – 33
 - TBT: 1,162 entries created and entered into the system; 119 subscribers to the TBT alerts; 860 alerts sent to subscribers
 - PNS: 109 entries created & entered into the system; 193 subscribers to the PNS alerts; 189 alerts sent to subscribers.

Reform Result 2.1.5. Trade-related institutional capacities strengthened

Background and Objective: The Philippines' participation to various multilateral and bilateral trade negotiations and agreements is a clear indication that the country is already in the forefront of the globalization process, leading the way towards change of policies that will enable the economy to adapt to the changing global marketplace. The Philippines sees this as a means to increase the competitiveness of the country's domestic sectors, create new jobs, develop the agriculture sector and rural areas, and bring in more investments.

With the Philippines gearing up for a more proactive and responsive approach to advance her interests in the multi-level and ever-competitive global marketplace, the interest of her constituents is being put to a test and at the same time is at stake, especially in making concessions to protect the various sectors of the economy, that provide employment to the active 20 million labor force and revenues to the government in the form of tariffs.

Cognizant of this very important issue, EMERGE included in its work plan a component that was built on the premise that the government, business community and the civil society should actively participate in the policy development process in the country.

This component is divided into two major sections, both are targeted in enhancing the stakeholders' participation in trade policy formulations as well as in international trade discussions and negotiations.

The first section sought to:

1. Increase the capacity of the Philippine government to participate in international trade discussions and negotiations;
2. Upgrade the capability of the legislative staff to appreciate the relationship between the rules of international trade rules and national policy;
3. Augment the understanding of the members of the judiciary on local legislation that provide remedies in pursuance of international trade rules; and
4. Enhance the appreciation of civil society of the rules of economic integration in order to achieve a higher level of engagement between civil society and government.

The second one looked into enhancing the stakeholder consultation process in the country, in light of an increasingly complex and dynamic international trade environment and concomitant private sector and civil society demands for greater transparency and involvement in the trade policy agenda and process.

Counterparts: EMERGE worked primarily with the Office of the Senior Undersecretary of the Department of Trade and Industry. Other counterparts include GRP agencies in the legislative and executive branch, several business organizations and civil society groups.

Activities Accomplished:

- o EMERGE provided support to DTI to conduct the Philippine Global Trade e-Learning Program (PGTEP). The program is a capacity building initiative for the government (executive, legislative & judiciary), the business sector, civil society and the academe to understand and participate in international trade discussions and negotiations. The program employed a blended learning model, which is a combination of instructor-led web-based training, and face-to-face lectures and workshops.

Phase 1 of the program was implemented over the period November 2005 to December 2006. The program covered eleven (11) modules: 2 introductory courses; 3 core courses; 5 elective courses; and 1 integrating course. A special abridged course was also developed for judges and court attorneys, the implementation of which was coordinated with the Philippine Judicial Academy. Four (4) two-day topical face-to-face workshops were conducted: trade in services, trade facilitation, and trade in agriculture and trade legislation.

Overall, PGTEP Phase 1 enrolled a total of 330 e-learners.

The Program closed with an Integrating. The highlight of the integrating workshop was the videoconference with WTO Director-General Pascal Lamy and Prof Yash Tandon of the South Center in Geneva.

The evaluation of PGTEP conducted at the end of the program showed an increase in participants' post-training level of knowledge & understanding on the topics covered by the modules compared to their pre-training needs. Participants also found PGTEP useful and

relevant to their work. About 72% of the respondents indicated that they had the opportunity to use the knowledge they gained from the program during the past three months prior to the conduct of the evaluation.

- PGTEP II took off from the successful completion of PGTEP I. The roll out was deployed over the period April – August 2008. Ten (10) modules were covered (2 introductory courses; 2 core courses and 6 elective courses) and three (3) workshops were held. On the core courses, 1 course was a merged course of the 3 introductory courses of PGTEP I while the other was an entirely new course (Trade position development and negotiation). On the elective courses, 1 course was also an entirely new course (Regional Trade Agreements).

There were two tracks of learning in PGTEP II: track 1 for new enrollees and track II as a continuing education program for PGTEP I graduates. Under track 1, the new enrollees were required to complete 4 online courses (2 core courses and 2 elective courses). Under track 2, PGTEP I graduates were invited to enroll in the 2 new courses.

A total of 261 enrolled for the full course of PGTEP II while 100 PGTEP I graduates enrolled in the two new courses.

A major output of PGTEP II was the development of an institutionalization plan for PGTEP. The deployment of PGTEP as a learning program, beyond EMERGE, will build a critical mass of informed stakeholders from the various sectors of the government, industry, academe and civil society who can assist the Philippine government in crafting the trade policy and agenda of the country.

- EMERGE provided technical assistance to DTI in exploring the possibility of establishing a mechanism in the country similar to the Industry Trade Advisory Council (ITAC) of the USA. ITAC is a public-private partnership jointly administered by the US Department of Commerce and the US Trade Representative (USTR). ITAC provides inputs and advice to the US government in the formulation of trade agenda and negotiating positions.

The TA had two components. The first component was an assessment of the multi-stakeholder consultation process in trade policy formulation and negotiations in the Philippines. Several focus group discussions (FGDs) with stakeholders were held on their experiences with the process of consultation in the country. Based on the results of the FGDs, the strengths and weaknesses of the current system were evaluated

The second component was the conduct of a series of orientation sessions on ITAC by Dr. Christina Sevilla, Deputy Assistant U.S. Trade Representative for Intergovernmental Affairs and Public Liaison at the Office of the U.S. Trade Representative (USTR), Executive Office of the President. The orientations were held separately for government officials and various stakeholders. Using as input the outputs of component 1 and the reactions and comments of stakeholders during the orientations, the consultant drafted recommendations for the establishment of a Philippine ITAC system. Overall, the Philippine ITAC system should be consistent with local needs and allow discretion for the government in developing an appropriate export-oriented ITAC committee system.

Reform Milestones Achieved:

- PGTEP Phase I was successfully completed December 20e 06, with 330 participants being equipped with better knowledge of global trade, WTO agreements, the Doha Round, and other bilateral/regional trade agreements.
- A report on the recommendations for the establishment of a Philippine ITAC system was presented to the DTI Executive Committee.
- PGTEP Phase II was successfully completed on 28 August 2008, with 188 participants being equipped with better knowledge of global trade, WTO agreements, the Doha Round, other bilateral/regional trade agreements, and trade position development and negotiations.
- DTI Senior Undersecretary Tom Aquino approved the PGTEP institutional plan. He turned over the plan, including the courseware and instructors manual to Dir. Adelaida Inton of the Philippine Trade Training Center (PTTC), who intends to implement PGTEP for the government, business and civil sector.

Reform Objective 2.2. Liberalize and facilitate investments

An indicator to investment growth is the rate of capital accumulation. Perhaps, the year 2001 has been the banner year of the current administration for foreign investment in the Philippines, which increased 171% to \$3.4 billion (about \$2 billion FDI and \$1.4 billion portfolio investment); all the more remarkable because of the decline by 50% worldwide in foreign investments that year. The Philippines' newly deregulated and privatized energy sector was the main draw, the centerpiece being the Malampaya natural gas project, which was officially inaugurated on 16 October 2001 following the completion of its 312-mile (504-km) undersea pipeline and the conversion of three power plants in Batangas to natural gas usage.

Judging from the development above, it can then be said that the Philippine investment growth is simply dependent on opening up public infrastructure to private investors here and abroad. However, capital accumulation is said to depend on a wide range of factors, including resource potentials as well as the investment climate that could materialize these potentials.

It is in this context that EMERGE technical assistance to the government's reform efforts in liberalizing and facilitating investments has found very great significance. The reforms, which largely dwell on promoting the use of the country's resource endowment and improving the investment climate, have yielded significant outputs for the government and the private sector to encourage investments in the country.

Reform Result 2.2.1 Agriculture biotechnology safely and responsibly used

Background and Objective: In 1997, the Agriculture Fisheries Modernization Act (AFMA) became law. The main objective of AFMA is to modernize agriculture, including infrastructure, facilities, and R&D. AFMA recognized biotechnology as a major strategy to increase agricultural productivity. The law states that AFMA will provide a budget of 4 percent of the total R&D budget per year for biotechnology during the next 7 years. This allocation provides an annual budget for

biotechnology of almost US\$20 million. Before AFMA, the annual budget for biotechnology averaged less than US\$1 million.

Although the country recognizes the tremendous potential that can be achieved from biotechnology, several challenges need to be met before the goals set can be achieved. In the study done by de la Cruz⁶, it was found that new genetically improved products cannot be commercialized in the country because the regulatory bodies cannot issue the required permits or licenses. The regulations allow only limited field trials of genetically improved organisms. The regulatory bodies lack the proper guidelines and institutional support to regulate the new products. This is a major constraint because any potentially useful new product cannot be commercialized after the field trials.

Another challenge for the realizing the potential of biotechnology in the Philippines relates to the biosafety guidelines. The present set of biosafety guidelines is one of the strictest in the world. The guidelines were originally patterned after those first used in the United States, Australia, and Japan during the early 1980s. Since then, all these countries have relaxed most of their guidelines as a result of new technical data and familiarity in dealing with new products. However, the Philippines did not relax its guidelines.

In pursuit of assisting in addressing the challenges in the biotechnology sector, EMERGE provided several technical assistances and grants to selected government agencies, research institutions and foundations who are working on the same goal.

Counterparts: Bureau of Food and Drugs (BFAD), Department of Health (DOH), National Committee on Biosafety of the Philippines (NCBP), UP Los Baños Institute for Plant Breeding (IPB-UPLB), among others.

Some of the technical assistances were carried out in cooperation with the International Service for the Acquisition of Agri-Biotech Applications (ISAA).

Activities Accomplished:

- EMERGE provided technical assistance to BFAD in drafting guidelines on the labeling of processed foods containing Genetically Modified Organisms (GMOs) for the purpose of issuing them in the form of a BFAD circular. The TA also includes policy advice to the Department of Agriculture towards a harmonized policy framework on biosafety, ERA and EIA between the DA and DENR, and a draft protocol on field-testing for transgenic crops.
- EMERGE supported DA in strengthening the government's mechanisms for effective and efficient regulation of agricultural and food biotechnology. The assistance helped DA in drafting the following: (i) Draft DA guidelines and protocols on the safe conduct of field tests of plans derived from the use of modern biotechnology; (ii) Draft BFAD guidelines on substantial equivalence in risk assessment to determine the safety of GM foods; and (iii) Draft BFAD rules and regulations on the establishment of an identity preservation system for monitoring and verification of labels on processed food derived from modern biotechnology, including evaluation thereof for export certification. In drafting these guidelines and protocols,

⁶ De la Cruz (?), "Philippines: Challenges, Opportunities, and Constraints in Biotechnology".

ISAAA assisted the DA/BFAD hold consultations with stakeholders, both at the national and local levels.

- EMERGE extended technical assistance to DA and BFAD to (i) help improve public awareness, knowledge and understanding on modern biotechnology; and (ii) to help strengthen the technical expertise of government regulators in the different aspects of biosafety regulations both at the national and local levels. Accomplishments include the conduct of 28 institutional capacity building (ICB) activities for government regulators, technology developers, and the academe; and 25 IEC activities. (See Annex 2.1 for the summary of Institutional Capacity Building and IEC Activities Biotechnology Coalition of the Philippines).
- EMERGE provided follow-on technical assistance to DA and BFAD to strengthen the Philippine's government's mechanism for effective and efficient regulation of agricultural and food biotechnology. The follow-on technical assistance covered two major areas: Regulatory development and capacity building (RDCB); and Information, education and communication (IEC). (Please refer to Annex 2.2 for the details of the RDCB and IEC activities).
- EMERGE provided grants to selected proponents to help the same comply with the DA AO 8 biotech regulations for the general release to the environment of three technologies. These are:
 - Field testing of transgenic papaya with delayed ripening trait toward commercialization by Dr. Evelyn Mae Tecson-Mendoza of the UP Los Baños Institute for Plant Breeding (IPB-UPLB);
 - Contained and confined trials for papaya ring spot virus (PRSV) resistant papayas in the Philippines by Dr. Randy Hautea of the ISAAA; and
 - Contained and confined trials for new fruit and shoot borer-resistant (FSBR) eggplant varieties for the Philippines by Dr. Desiree Hautea of the IPB-UPLB.
- EMERGE provided a grant to the ISAAA in its effort to assist the DA and BFAD develop policy guidelines and build institutional capacity for the regulation and eventual commercialization of plant-made pharmaceuticals.

The following are the outputs of the activity:

- Draft revised protocols on risk assessment for the commercialization of GM plants and plant products - ISAAA extended technical assistance to the DA Policy Research Service (PRS) and the Bureau of Plant Industry (BPI) draft the updated version of the risk assessment protocols for the commercial propagation of plants derived from modern biotechnology. The protocols were revised based on the wealth of information gathered from international best practices since the first GM crop commercial propagation in 1996 in the U.S. and in 2003 in the Philippines. The revised protocols underwent several revisions following its presentations to the different stakeholders and government regulators for their review. The final draft was completed May 2007 and endorsed to the DA Secretary for his consideration.
- Draft guidelines on biosafety permit renewal and delisting of GM plants and plant products- ISAAA extended TA in drafting the following guidelines: (a) permit renewal for commercial propagation, (b) revision of part V of DA Administrative Order (AO) 8, (c) permit renewal for direct use, and (d) delisting. The DA and ISAAA held small consultative meetings with key stakeholders for the constant revision and rewriting of said guidelines.

- On 2 April 2007, DA Secretary Arthur C. Yap issued the guidelines for the renewal of permits of regulated articles for commercial propagation as Memorandum Circular (MC) No. 2, Series of 2007.
- Draft revised procedural guidelines and templates on IRM monitoring and reporting - ISAAA served as resource persons during (i) technical meetings organized by the DA to discuss the improved system for insect resistance management (IRM) reporting and monitoring and (ii) seminar-practicum training for technology developers and regulators to revise the IRM guidelines and templates. ISAAA also assisted the DA-PRS and BPI draft the revised guidelines and the corresponding Memorandum Circular (MC). The MC has been endorsed to the DA Secretary for his issuance.
- Draft guidelines on the regulation of GM pharmaceutical crops- ISAAA assisted the DA-PRS draft the guidelines on the regulation of plant-made pharmaceuticals (PMP) and served as resource persons during the technical meetings of the DA Technical Working Group on PMP where the draft guidelines were presented and discussed. The draft guidelines were finalized and completed based on the comments in the technical meetings.
- Policy briefs for strengthening the science-based implementation of the National Biosafety Framework (NBF) –ISAAA assisted the NCBP draft the Implementing Rules and Guidelines, which may be issued in the form of Agency Procedural Manual to the NBF.
- Technical study on the biotech industry of the Philippines- ISAAA completed the conducted of a study on the biotech industry in the country. The report is entitled “A Study of Philippine Biotech Industry Towards Industry Competitiveness”.

Reform Milestones Achieved:

- With EMERGE TA, BFAD drafted guidelines on the labeling of GMO-containing processed food that have been endorsed for the approval of the Executive Committee of the Department of Health (DOH). The draft guidelines were sent to the DOH division chief in charge of policy. While there are no pending issues on the technical substance of the guidelines, the division chief wants further consultations on them. Once approved by DOH and/or BFAD, the guidelines will lay down the commercialization and labeling guidelines for processed food derived from biotechnology.
- ISAAA submitted the results of a nationwide survey on the acceptability of the 80-20 bag-in-a-bag insect resistance management (IRM) strategy for Bt corn, conducted by the consultant team and DA. DA used survey findings to update and strengthen science-based IRM for Bt corn, as contained in Memorandum Circular (MC) No.8, dated 14 Dec 05 and signed by DA Secretary Domingo Panganiban. To implement the MC, Special Order No.7 was issued on 3 Jan 06, creating the Insect Resistance Management Advisory Team (IRMAT), which will serve as the DA scientific and technical advisory body on IRM matters.

On 8 March 2006, Sec Panganiban issued MC No.1 Series of 2006, updating the insect resistance management monitoring procedural guidelines and reporting formats to be used this Bt corn-planting season by industry technology developers.

Both MC No 8 Series of 2005 and MC No. 1 Series of 2006 used as inputs the results of the nationwide survey on the feasibility/acceptability of the 80-20 Bag-in-bag IRM strategy for BT corn. EMERGE helped support the survey, and these are significant performance milestones for this TA.

- Memorandum Circular No. 02, series of 2006, was issued by the Secretary of the Department of Agriculture (DA) on 22 May 2006, which sets the guidelines for field testing plants derived from modern biotechnology. Before this the DA used as its interim protocols those of the National Committee on Biosafety of the Philippines (NCBP). This will provide a more coherent policy framework for bio-safety assessments and field-trials protocols.
- The protocol on substantial equivalence has been incorporated in the latest draft BFAD-DOH guidelines on GM food labeling. In the form of a Department of Health (DOH) Administrative Order, the draft guidelines were posted in the BFAD website on 27 June 2006 for public comments prior endorsement to the DOH Secretary for his consideration.
- As of 28 March 2008, the draft DOH guidelines cover not just GM food per se but the rules and regulations on labeling prepackaged processed food products distributed in the Philippines. This is to update and harmonize the different issuances on processed food labeling in the country.

The rules and regulations on identity preservation are in the form of a draft Memorandum Circular that has been subjected to a series of technical discussions among concerned institutions. It will be revisited by BFAD once the draft DOH Administrative Order on GM food labeling has been issued.

- On June 16, 2005, President Arroyo signed Presidential Proclamation No. 861, declaring the first week of July 2005 as “National Biotech Week,” and the consultant team helped the DA prepare for and conduct it. Highlights of the week-long celebration include the following:
 - the signing of a Memorandum of Agreement between the then DA Secretary Arthur Yap and Mayor Ramon Guico, President of the League of Municipalities of the Philippines, for both institutions to support a joint program of capacity building and outreach on modern biotechnology applications at the LGU level;
 - an exhibit of commercial biotech products already in the country;
 - a “biotech shopping” seminar to showcase 10 select biotech technologies that was attended by more than 300 participants;
 - the launching of the Agricultural Biotech Center at the Philippine Rice Research Institute by virtue of Administrative Order No.21 series of 2005 signed by former Secretary Yap.
- On 3 May 2006 President Gloria Macapagal-Arroyo issued Proclamation No. 1053 declaring the first week of July 2006 as the second National Biotechnology Week and designating the Secretary of the Department of Science and Technology (DOST) as chair of the working committee in charge with this year’s celebration.

- The National Committee on Biosafety for the Philippines (NCBP) approved on January 3, 2007, the conduct of confined trials of the papaya-ring-spot-virus (PRSV) resistant papaya.
- The permit for field-testing the transgenic papaya was issued by BPI on March 20, 2007. On 26 March 2007, the seedlings of the transgenic and control lines were brought to & transplanted in the field trial site under the supervision of the representatives from DA-BPI and the UPLB Biosafety Committee. The papaya with delayed ripening trait is the first transgenic crop developed by Filipino scientists using modern biotechnology that was granted a biosafety permit to open field test in the Philippines by the DA-BPI.
- On April 2, 2007, DA Secretary Yap issued guidelines for the renewal of permits of regulated articles for commercial propagation as Memorandum Circular (MC) No. 2, Series of 2007.
- On 4 July 2007, the DA Secretary issued Administrative Order No. 22, s 2007, Amending Specific Sections of Part V of DA Administrative Order No.8, s 2002, “Approval Process for the Importation of Regulated Articles for Direct Use as Food or Feed, or for Processing”. Said AO clarified further the approval process of regulated articles for direct use as food and feed, or for processing, and delineated the functions between the technology developer as the biosafety applicant and the grantee and the importer as the commodity grain handler and import user of the biosafety permit.

Reform Result 2.2.2 Investment climate improved

Background: A study by Pernia and Maligalig⁷ revealed that the “Philippine economy’s anemic growth over the past two decades can be explained in no small measure by its poor investment climate that limited capital formation, productivity improvements and competitiveness of firms”. Data from the Global Competitiveness Report 2003/2004 showed that countries with the better investment climate in the region include Singapore, Malaysia and PRC. As previously discussed, since investment is highly dependent on the type of investment climate, these same countries also tend to have higher rates of capital accumulation. Higher rates of capital formation, in turn, fueled productivity and economic growth.

According to the study, the Philippines had not been very competitive in these respects when compared with the dynamic economies of the region. Gross capital formation continued to decline from 1981 to 2003, with the Philippines being the least in 2003. The Philippines posted the only negative GDP per capita growth figure for the period 1981-1990 among the selected Asian countries. Overall average labor productivity (output per worker) in the country fell from about PhP38,000 in 1981 to around PhP32,000 in 1985 and virtually stagnated at that level till 2001. In 2003, labor productivity stood at PhP34,307.

Recent measures have been promulgated to make the country more attractive to investors. The Electric Power Industry Reform Act 9136, Securities Regulation Code 8799, General Banking Law 8791, and Retail Trade Liberalization Act 8762, which were enacted since 2000 to

⁷ Pernia and Maligalig (?), “Improving the Investment Climate in the Philippines”, *Development Indicators and Policy Research Division (ERDI) Working Paper*, Economics and Research Department (ERD), Asian Development Bank (ADB).

support investment growth, were some of noted efforts to revitalize the investment sector in the country.

This reform result is an offshoot of the efforts that seek to maintain momentum already generated for above investment-centered measures. The underlying objective being is to assist the GRP in its intensified effort to improve the investment climate in the country, and thus to achieve significant economic growth.

Counterparts: In order to effectively achieve the desired goal in this component, EMERGE worked extensively with GRP and the private sector. The GRP counterparts include Board of Investment (BOI), Department of Trade and Industry (DTI), Intellectual Property Philippines (IP Philippines), Department of Science and Technology (DOST), the Department of Agriculture (DA), Department of Environment and Natural Resources (DENR) and the Department of Foreign Affairs (DFA). Private sector counterparts, on the other hand, include the American Chamber of Commerce Philippines (AmCham) and the Chamber of Mines of the Philippines. The Mining Development Council (MDC), a public-private organization, was also tapped in the activity.

Activities Accomplished:

- EMERGE provided technical assistance to the BOI, which sought to improve the investment climate by reducing transaction costs and risks associated with the supply chain management, from the procurement of inputs (whether local or imported) to the domestic sale or exports of outputs. . As an initial step, industry diagnostic studies were undertaken for emerging coconut-based products to explore and validate the investment climate in these sectors. They are called as emerging coconut products to distinguish them from the nontraditional product groups' classification. These are: (i) functional coconut food products – virgin coconut oil and its component by-products; (ii) industrial products – coconut shell charcoal and activated carbon, and cochin oil and coco methyl ester; and (iii) agro-industrial products – coir and coir products. The diagnostic studies were then presented to DTI and BOI. The initiative resulted in the inclusion of the promotion of investments in emerging coconut products in the DTI-led national clusters program, which looks into investment coordination opportunities in key industries that the government is promoting.
- EMERGE provided grants to the American Chamber of Commerce Philippines (Amcham) for the implementation of the Investment Climate Improvement Project (ICIP). The project is geared towards setting up a mechanism to identify and communicate to the Philippine Government activities that will generate additional investments and jobs in the country.

The Project is primarily intended to correct factors impeding domestic and foreign investment in the Philippines. Through ICIP, AmCham pinpoints problems in the Philippine investment environment, assesses their importance to the investment climate and works toward finding and implementing effective solutions.

ICIP has three core components: (1) networking and investment climate monitoring, (2) policy research and analysis and (3) investment climate reform advocacy. These are explained in the ICIP Advocacy Plan⁸, which identifies 6 reform clusters (red tape and corruption, education,

⁸ Investment Climate Improvement Project Advocacy Plan (2006). The American Chamber of Commerce of the Philippines. Makati City.

power infrastructure, Subic-Batangas transport corridor, judicial reforms, legislative priorities, and political stability and security) and 5 reform sectors (healthcare and retirement, information and communications technology, manufacturing, mining, and tourism) as ICIP priorities, which closely adhere to the analysis and recommendations of the Roadmap II More Foreign Investment⁹ released in June 2004 (with the exception of population policy).

ICIP grants were carried out in four phases, February 2006 to June 2008. (Due to their cumulative size, the activity accomplishments and the achieved reform milestones of the ICIP Phase I-IV are published in separate reports. Please refer to ICIP Final Reports for detailed discussions on these subjects).

- EMERGE supported IP Philippines to facilitate the implementation of raising the level of IP awareness among academic and research and development institutions (RDIs), focusing on the importance of protecting, managing, and commercializing their IP assets to enable them to effectively exploit the results of their R&D activities. The technical assistance came in two (2) phases:

Phase 1 was series of regional capacity building efforts (e.g. trainings and seminars) on IP assets and technology commercialization.

Phase 2 supported the conduct of the National Conference on IP and Technology Commercialization for the academe and RDIs in the country and the Training on IP and Technology Commercialization among the personnel of IP Philippines.

- EMERGE assisted the Chamber of Mines of the Philippines to conduct a pilot implementation of a simulated Extractive Industries Transparency Initiative (EITI) audit aimed at reconciling the payments made by mining companies and the revenues received by Philippine government entities.

Implementation of the TA came in two phases. Phase 1 entailed the development of a reporting template, and an audit plan in agreement with the mining companies and the LGUs in the pilot mining areas namely, Philex Mines in Benguet and Rio Tuba Nickel Mines, Inc. in Bataraza, Palawan. Phase 2, on the other hand, involved the preparation of reports, reconciliation of company submissions with the government submissions, and analysis of information with regard to any gaps and discrepancies.

Aside from revealing the discrepancies in the amount of taxes paid by the pilot mining companies and the receipts of LGUs of such taxes, the pilot study also documented the issues encountered in the conduct of the EITI simulation exercise and made recommendations to address these issues in order to promote efficient and effective ways of implementing EITI in the country.

⁹ Roadmap II More Foreign Investment (2004). The American Chamber of Commerce of the Philippines. Makati City

Reform Milestones Achieved:

- Increasing interest of the business sector emerged in investing in the coconut industry. An example of this is the integrated coconut processing plant in Oroquieta City in Mindanao which received a PhP 6 million grant from AusAid. The project follows a 50,000 nuts-a-day business model and requires 2,000 hectares of coconut farm. The model is much larger in scale than the 5,000 nuts-a-day model recommended by the EMERGE consultants.
- Apart from successfully promoting awareness on major issues in IP commercialization, the National Conference on IP Assets and Technology Commercialization also paved the way for the presentation and discussion of two major reform initiatives, namely:
 - CHED Circular which mandates Higher Educational Institutions (HEIs) to formulate their own IP Policies; and
 - Manifesto from participants addressed to the Senate, House and the President certifying the Technology Transfer Bill as urgent.
- DFA Undersecretary Edsel Custodio and DENR Assistant Secretary and Executive Director of the Mining Development Council (MDC) Jeremias Dolino endorsed the Extractive Industries Transparency Initiative (EITI) during the presentation of the EMERGE team on 10 July 2007 of their findings on the EITI simulation exercise conducted for Philex Mines in Benguet and Rio Tuba Nickel Mines, Inc. in Bataraza, Palawan. Usec Custodio committed to (i) ask the Philippine Embassy in Oslo to get in touch with the EITI Secretariat informing the latter of the Philippine government's interest in EITI; and (ii) write DENR Secretary and MDC Chairman Angelo Reyes to get the endorsement of the MDC on EITI.

Annex 2.1. Summary of Institutional Capacity Building and IEC Activities
Biotechnology Coalition of the Philippines
May 2005 – July 2006

Type of Activities	Trainings/Workshops/Seminars	Activity Type	Date	Duration (hours)	Place & Venue	Participants	
						No.	Classification/Type
Institutional Capacity Building	Forum on Biotech Policy and Regulations Harmonization Across Government Agencies in Celebration of the 2005 National Biotech Week	Guidelines & Protocol Development	4-Jul-05	9	BSWM-DA	325	Government regulators and policymakers, technology developers, scientists, academe, media, NGOs, general public
	Conduct of the Nationwide IRM Acceptability Survey	IRM & Field Testing	3rd week of July to 1st week of August 2005	42	Nationwide	1,200	Farmers, government regulators, technology developers, scientists
	Technical Presentation on the National IRM Acceptability Survey	Guidelines & Protocol Development	16-Aug-05	5	NAFC, DA	43	Government regulators and policymakers, technology developers, scientists
	Biosafety Seminar for Nauhan, Oriental Mindoro	Biosafety Seminar for LGUs	19-Aug-05	8	Nauhan, Oriental Mindoro	145	Local government officials and employees, farmers, local community
	Post-survey Technical Working Group Meeting of IRM Regulators and Scientists	Guidelines & Protocol Development	29-Aug-05	5	NAFC, DA	17	Government regulators and policymakers, technology developers, scientists
	Technical Working Group Meeting on IRM Strategies	Guidelines & Protocol Development	19-Sep-05	5	NAFC, DA	24	Government regulators and policymakers, technology developers, scientists

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Type of Activities	Trainings/Workshops/Seminars	Activity Type	Date	Duration (hours)	Place & Venue	Participants	
						No.	Classification/Type
	Training-Workshop on Local & International Updates of Agricultural Biotechnology Policy and Regulations	Training/WS for STRP & Biotech Teams	21 to 23 September 2005	19	Kaliraya, Laguna	60	Government regulators and policymakers, technology developers, scientists, academe
	Technical Working Group on US IRM Studies with MSU Experts	Guidelines & Protocol Development	26-Sep-05	4	NAFC, DA	23	Government regulators and policymakers, technology developers, scientists
	Biosafety Seminar for the Southern Tagalog Region	Biosafety Seminar for LGUs	12-Oct-05	9	Palawan	72	Local government officials and employees, farmers, local community
Institutional Capacity Building	Seminar-Workshop on IRM Implementation, Monitoring and Reporting with the Regional Crop Protection Centers (RCPCs)	IRM & Field Testing	13 to 14 October 2005	17	Palawan	39	Regional crop protection centers, government regulators and policymakers, technology developers, scientists, academe
	Seminar-Workshop on the Delayed Ripening Papaya Project	Guidelines & Protocol Development	8-Nov-05	5	BPI Manila	32	Government regulators and policymakers, technology developers, scientists
	Biosafety Seminar for the Ifugao Province	Biosafety Seminar for LGUs	24-Nov-05	8	Isabela, Ifugao	304	Local government officials and employees, farmers, academe, local community

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May 2005 – July 2006

Type of Activities	Trainings/Workshops/ Seminars	Activity Type	Date	Duration (hours)	Place & Venue	Participants	
						No.	Classification/Type
	Technical Working Group Meeting of the IRM Regulators & Scientists for MC17 Revision	Guidelines & Protocol Development	12-Dec-05	5	BPI Manila	23	Government regulators and policymakers, technology developers, scientists
	Biosafety Seminar for Sablayan, Mindoro Occidental	Biosafety Seminar for LGUs	15-Dec-05	9	Sablayan, Mindoro Occ	156	Local government officials and employees, farmers, local community
	Roundtable Discussion on the Role of the Proposed IRM Advisory Team (IRMAT)	Guidelines & Protocol Development	3-Feb-06	4	BPI Manila	27	Government regulators and policymakers, technology developers, scientists
	First Technical Meeting of the IRMAT on Finalization of the IRM Forms	Guidelines & Protocol Development	13-Feb-06	5	NAFC, DA	21	Government regulators and policymakers, technology developers, scientists
	Seminar-Workshop on Biosafety & Empowering LGU for Central Luzon	Biosafety Seminar for LGUs	16 to 17 March 2006	18	Subic	71	Local government officials and employees, farmers, local community
	Seminar-Workshop on the Safe Conduct of Field Tests and Finalization of the Field Test Guidelines	IRM & Field Testing	27 to 29 March 2006	17	Baguio	61	Government regulators and policymakers, technology developers, scientists

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Type of Activities	Trainings/Workshops/Seminars	Activity Type	Date	Duration (hours)	Place & Venue	Participants	
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Institutional Capacity Building	Seminar-Workshop on Biosafety & Economic Opportunities for Mindoro Occidental	Biosafety Seminar for LGUs	26 to 27 April 2006	17	San Jose, Mind Occ.	142	Local government officials and employees, farmers, businessmen, local community
	Technical Meeting of DA and BFAD Regulators on GM Food Safety	Guidelines & Protocol Development	2-May-06	4	Richmonde Hotel, Ortigas	44	Government regulators and policymakers, technology developers, scientists
	Training-Workshop on Adventitious Presence for Government Regulators and Scientists	Training/WS for STRP & Biotech Teams	12-May-06	5	BPI Manila	24	Government regulators and policymakers, technology developers, scientists
	Technical Meeting of DA and BFAD Regulators on Identity Preservation (IP)	Guidelines & Protocol Development	12-May-06	4	BPI Manila	16	Government regulators and policymakers, technology developers, scientists
	Second Technical Meeting of the IRMAT on the IRM Technical Studies	Guidelines & Protocol Development	1-Jun-06	4	BPI Manila	26	Government regulators and policymakers, technology developers, scientists
Information, Education and Communication	2005 Gawad Galing Biotech Journalism Launching	Seminar/WS for Academe/Media	8-Jun-05	5	Annabel's, Quezon City	36	Media people
	Roundtable Discussion on Agri-Biotechnology for the Mindanao	RTD / FGD /Public Sem	14-Jun-05	6	Davao	75	Local businessmen, NGOs

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Biotechnology Coalition of the Philippines
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Type of Activities	Trainings/Workshops/ Seminars	Activity Type	Date	Duration (hours)	Place & Venue	Participants	
						No.	Classification/Type
	Business Council						
	Public Seminar on Agri-Biotechnology for Luzon-Based Mayors	RTD / FGD /Public Sem	15-Jun-05	4	Annabel's, Quezon City	32	Local executives
Information, Education and Communication	Public Seminar on Health Biotechnology for Medical Doctors	RTD / FGD /Public Sem	21-Jun-05	5	Annabel's, Quezon City	62	Medical doctors
	Seminar-Workshop for Mindanao-Based Academe and Media	Seminar/WS for Academe/Media	23 June 205	6	Davao	77	Media people, academe
	2005 National Biotech Week Launch and Forum	RTD / FGD /Public Sem	1-Jul-05	4	BSWM-DA	318	Government regulators and policymakers, technology developers, scientists, academe, media, NGOs, general public
	Public Seminar on Biotech Shopping in Celebration of the 2005 National Biotech Week	RTD / FGD /Public Sem	1-Jul-05	5	BSWM-DA	453	Government regulators and policymakers, technology developers, scientists, academe, media, NGOs, general public
	Farmer Exchange Program-Luzon Leg	Farmer Exchange Program	6-Jul-05	10	Pangasinan	85	Farmer-leaders

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Biotechnology Coalition of the Philippines
May 2005 – July 2006

Type of Activities	Trainings/Workshops/ Seminars	Activity Type	Date	Duration (hours)	Place & Venue	Participants	
						No.	Classification/Type
	Seminar on the Use of DNA Forensics for the DILG	RTD / FGD /Public Sem	8-Jul-05	5	DILG	87	Government regulators and policymakers
	Public Seminar on Modern Biotechnology for Mindanao-Based Indigenous People Communities and Farmer Leaders	RTD / FGD /Public Sem	29-31 August 2005	7	Davao	85	NGOs, farmers
	Seminar-Briefing on Agricultural Biosafety for DA Region IV Officials	RTD / FGD /Public Sem	27-Sep-05	8	BPI Quezon City	44	Local government administrators
Information, Education and Communi- cation	Roundtable Discussion on Biotech Opportunities for Rural Bankers and Credit Cooperatives	RTD / FGD /Public Sem	5-Oct-05	6	Annabel's, Quezon City	29	Financial institutions, cooperatives, farmers, technology developers, scientists
	Pre-COP MOP 3 Consultative Roundtable Discussion	RTD / FGD /Public Sem	17-Feb-06	6	NAFC, DA	17	Government policymakers, technology developers, scientists
	Symposium on Biotech Applications with the Women for the Advancement of Science and Technology (WAND)	RTD / FGD /Public Sem	31-Mar-06	4	PCA Compound	44	Scientists, academe, general public

Annex 2.1. Summary of Institutional Capacity Building and IEC Activities
 Biotechnology Coalition of the Philippines
 May 2005 – July 2006

Type of Activities	Trainings/Workshops/ Seminars	Activity Type	Date	Duration (hours)	Place & Venue	Participants	
						No.	Classification/Type
	Public Seminar on the Safety of GM Pharmaceutical Crops	RTD / FGD /Public Sem	2-May-06	4	Richmonde Hotel, Ortigas	77	Government, technology developers, scientists, academe, media, NGOs, general public
	Farmer Exchange Program-Visayas & Mindanao Leg	Farmer Exchange Program	29-30 May 2006	17	Gingoog City and Valencia, Bukidnon	45	Farmer-leaders
	Media Video-Conference on Biotech Commerce in Celebration of the 2006 National Biotech Week	Seminar/WS for Academe/Media	7-Jul-06	8	BSWM-DA Baguio, Cebu, Davao	80	Media people, scientists, academe, government regulators and policymakers, general public

Annex 2.2. Summary of Institutional Capacity Building and IEC Activities
24 August 2006 to 30 June 2007

General Type	Specific Type	Name of Activity	Date	Duration (hours)	Place & Venue	Participants	
						No.	Classification/Type
Regulatory Development and Capacity Building	Training-Workshop for Regulators (2)	Seminar-Workshop on Risk Assessment of GM Crops For Commercial Release	20-22 September 2006	24	PHINMA Training Center, Tagaytay City	89 (31 Male, 58 Female)	Policymakers and regulators, technology developers
		Seminar-Workshop on New Biosafety Regulations and Products in the Pipeline	18-20 April 2007	22	Summer Place Hotel, Baguio City	100 (48 Male, 52 Female)	Policymakers and regulators, scientists, technology developers, others
	Guidelines and Protocol Development (12)	Seminar on Roundup Ready Crops	14-Nov-06	4.5	NAFC Conference Hall, Department of Agriculture	55 (16 Male, 39 Female)	Policymakers and regulators, technology developers
		Technical Meeting on Status of IRM Studies and Field Reporting & Monitoring	7-Dec-06	4.5	Crop Protection Division (CPD) Conference Room, Bureau of Plant Industry, Manila	23 (11 Male, 12 Female)	Policymakers and regulators, technology developers
		Echo Seminar on the 6th Session of the Codex Task Force on Food Biotech	8-Dec-06	4	Apacible Conference Room, Department of Agriculture	41 (14 Male, 27 Female)	Policymakers and regulators, technology developers
		Technical Meeting 1 on the Renewal of GM Permits	29-Dec-06	4	Conference Room, College of Agriculture, UP Los Baños	31 (13 Male, 18 Female)	Policymakers and regulators, technology developers
		Seminar on the Second Generation of Bt Insect-Protected Corn	26-Jan-07	4	Apacible Conference Room, Department of Agriculture	30 (8 Male, 22 Female)	Policymakers and regulators, technology developers

Annex 2.2. Summary of Institutional Capacity Building and IEC Activities
24 August 2006 to 30 June 2007

General Type	Specific Type	Name of Activity	Date	Duration (hours)	Place & Venue	Participants	
						No.	Classification/Type
Regulatory Development and Capacity Building	Guideline and Protocol Development (12)	Technical Meeting 2 on the Renewal of GM Permits	29-Jan-07	4	Apacible Conference Room, Department of Agriculture	32 (17 Male, 15 Female)	Policymakers and regulators, technology developers
		Technical Meeting 1 on Low-Levels Incidental Presence	5-Mar-07	4	Policy & Planning Conference Room, Department of Agriculture	21 (8 Male, 13 Female)	Policymakers and regulators, technology developers
		Technical Meeting 3 on Permit Renewals and IRM	10-Apr-07	4	BPI Director's Conference Room, Bpi Manila	26 (12 Male, 14 Female)	Policymakers and regulators, technology developers
		Technical Working Group on Plant-Made Pharmaceuticals Meeting 1	12-Apr-07	4	College of Public Health, UP Manila	18 (8 Male, 10 Female)	Policymakers and regulators, scientists, technology developers
		Special Seminar and Hands-on Training on IRM Reporting & Monitoring for RCPCs	03-04 May 2007	15	San Fernando, Pampanga	30 (16 Male, 14 Female)	Policymakers and regulators, scientists, technology developers
		Technical & Public Consultations on Revision of AO8 Direct Use Provision	24-May-07	4	BSWM Convention Hall, Department of Agriculture	80 (50 Male, 30 Female)	Policymakers and regulators, academe, NGOs, private sector, international agencies
		Technical Working Group on Plant-Made Pharmaceuticals Meeting 2	13-Jun-07	4	NPAL Conference Room, BPI Compound, Q.C.	20 (9 Male, 11 Female)	Policymakers and regulators, technology developers

Annex 2.2. Summary of Institutional Capacity Building and IEC Activities
24 August 2006 to 30 June 2007

General Type	Specific Type	Name of Activity	Date	Duration (hours)	Place & Venue	Participants	
						No.	Classification/Type
Information Education and Communication	Public Seminar & RTD on Modern Biotech (12)	Consultative Meeting and Seminar on GM Crops and Adventitious Presence	30-Aug-06	4	Discovery Suites, Ortigas Centre, Pasig	32 (16 Male, 16 Female)	Policymakers and regulators, academe, technology developers, food and feed industry, grain traders, NGOs
		Jose G. Burgos, Jr. Awards for Biotech Journalism (2nd Gawad Galing for Biotech Journalism)	8-Nov-06	5	Club Filipino, Greenhills, San Juan	70 (36 Male, 34 Female)	Media, policymakers, APEC delegates
		Public Seminar on Modern Agricultural Biotech for Cagayan	21-Nov-06	7.5	Cagayan Valley Lowland and Marine Research Outreach Station (CVLMROS), Iguig, Cagayan	73 (44 Male, 29 Female)	LGU officials (executives and technical officers), students, media
Information Education and Communication	Public Seminar & RTD on Modern Biotech (12)	Public Seminar on Modern Agricultural Biotech for Isabela	23-Nov-06	7.5	DAR Regional Office, San Fermin, Cauayan City, Isabela	87 (46 Male, 41 Female)	LGU officials (executives and technical officers), farmer/coop leaders
		Seminar Series and Study Tour for Select Region 2 College Students	27-30 November 2006	36	Philippine Carabao Center, Nueva Ecija; Philippine Rice Research Institute, Nueva Ecija; Institute of Plant Breeding, UPLB; International Rice Research Institute	78 (36 Male, 42 Female)	Students

Annex 2.2. Summary of Institutional Capacity Building and IEC Activities
24 August 2006 to 30 June 2007

General Type	Specific Type	Name of Activity	Date	Duration (hours)	Place & Venue	Participants	
						No.	Classification/Type
		Public Seminar on Modern Agricultural Biotech for Ifugao	14-Dec-06	7.5	Potia Bgy. Hall, Alfonso Lista, Ifugao	76 (43 Male, 33 Female)	LGU officials (executives and technical officers), academe, students
		Special Seminar Course on Bio-entrepreneurship	03-05 January 2007	24	Operations Room, Office of the Chancellor, UP Los Baños	72 (25 Male, 47 Female)	Faculty members, scientists, IP officers, graduate students
		Public Seminar & Consultations on Proposed Biosafety Guidelines	9-Mar-07	5	Linden Suites, Ortigas, Pasig City	53 (26 Male, 27 Female)	regulators, technology developers, scientists, industry organizations, media, farmers, civil society organizations
		Biotech Networking and Commercialization (BIONet) National Congress	2-Apr-07	10	Bahay Kalinaw, UP Diliman, Q.C.	86 (50 Male, 36 Female)	LGU, national government officials, media, farmers, NGOs, academe, industry and private sector
		Seminar on GM Drought-Tolerant Corn	1-Jun-07	4	Apacible Conference Hall, DA	48 (20 Male, 28 Female)	Policymakers and regulators, scientists, technology developers
		Training-Workshop on LGU Course on Biotech	13-14 June 2007	19	MDC Training Center	20 (14 Male, 6 Female)	LGU officials (executives and technical officers)
Information Education and Communication	Seminar-Consultation on Biosafety/ Bio-commerce (6)	Public Seminar on the Biotech Industry Survey	25-Jun-07	4	InterContinental Hotel, Makati	80 (38 Male, 42 Female)	Industry, public research institutes, government agencies, academe, NGOs, media
		Seminar-Workshop on Economic Opportunities in Biotech for Caraga	27-28 September 2006	18	Northern Mindanao State Institute of Science & Technology (NORMISIST), Butuan City	120 (65 Male, 55 Female)	LGU officials (executives and technical officers), farmers, people's organization, academe, investors/ business organizations, media

Annex 2.2. Summary of Institutional Capacity Building and IEC Activities
24 August 2006 to 30 June 2007

General Type	Specific Type	Name of Activity	Date	Duration (hours)	Place & Venue	Participants	
						No.	Classification/Type
		Seminar-Workshop on Economic Opportunities in Biotech for Iloilo	5-Oct-06	8	Leganes Multipurpose Building, Leganes, Iloilo City	57 (32 Male, 25 Female)	LGU officials (executives and technical officers), farmers, investors/ business organizations
		Seminar-Workshop on Biotech Economic Opportunities for N. Mindanao	14-15 December 2006	18	Marawi Resort, Marawi City, Lanao del Norte	112 (66 Male, 46 Female)	LGU officials (executives and technical officers), farmers, academe, investors/ business organizations
		Seminar-Workshop on Biotech Economic Opportunities for Southern Luzon	25-26 January 2007	18	Development Academy of the Philippines, Tagaytay City	91 (40 Male, 51 Female)	LGU officials and executives, media, NGOs
		Seminar-Workshop on Economic Opportunities in Biotech for Quezon Province	05-06 February 2007	18	Lucena City, Quezon Province	98 (42 Male, 56 Female)	LGU officials and executives, farmers, investors/business organizations
		Seminar-Workshop on Biotech Economic Opportunities for N. Luzon	23-24 February 2007	18	Baguio City	103 (61 Male, 42 Female)	LGU officials and executives, farmers, investors/business organizations

Reform Theme 3 – More Competitive and Efficiently Regulated Infrastructure

The inadequacy of infrastructure has been a significant factor deterring investments and growth, especially in regions outside Metro Manila. Investment climate surveys conducted by the Asian Development Bank have revealed that weak infrastructure was among the major constraints to investments and growth. Weak infrastructure adds to the high cost of doing business in the country as emphasized by the private sector in various business forums. Notwithstanding the lively debate among different researchers on the link between infrastructure and growth, the preponderance of empirical evidence shows that inadequate supply of infrastructure or the unreliability of infrastructure services may constrain investments of productive capital and lead to a restriction or reduction of output¹⁰.

It is in this context that EMERGE technical assistance to the government's reform efforts in the infrastructure sector has found very great significance. The reform results in infrastructure addressed important gaps in government's efforts to improve that sector.

To advance this reform theme, EMERGE embarked on helping the GRP address three broad policy issues:

1. Lower transportation cost
2. Make telecoms and IT more affordable and accessible
3. Make Private sector participation (PSP) in public projects sustainable

Reform Objective 3.1. Lower transportation cost

There are three reform results under this reform objective, namely: (a) inter-island transport costs reduced, (b) port efficiency increased, and (c) roads adequately maintained.

Transport efficiency is a critical development imperative most especially in an archipelago such as the Philippines. Shipping facilitates at least 80% of inter-island movement of both passengers and cargoes. Inefficiencies in inter-island shipping, road transport and communication costs have adverse impacts on the growth and competitiveness of domestic trade in the Philippines.

The integration of the domestic market to the emerging global supply chain of goods and services will require more competitive and efficiently regulated infrastructure that will help domestic producers to source cheap raw materials and transform them into finished goods and/or services which are then delivered on a timely and competitive basis to customers worldwide. A recent survey of the World Bank (Cross-Border Trading, 2006) indicates that the Philippines has the highest cost of exporting a container among ASEAN countries (Basilio, Llanto and Rodolfo 2007). According to the World Bank's Doing Business Indicators, it costs 60-300 percent more to export a 20-foot container from the Philippines than from China, Singapore or Thailand.

¹⁰ Llanto, Gilberto M. 2008. "A Review of Build-Operate- Transfer for Infrastructure Development: Some Lessons for Policy Reform," PIDS Discussion Paper.

Reform Result 3.1.1. Inter-island transport costs reduced

Background and Objective: The Development Bank of the Philippines (DBP) conceptualized the Sustainable Logistics Development Program (SLDP) in 2002 in answer to the urgent need for an efficient transport system both for passengers and goods and services. One of SLDP's three components is the Roll on/Roll off Terminal System (RRTS) where financing support shall be given to RORO terminals and ferry operations in areas where these are absent. The RRTS is intended to form part of the national highways by providing the necessary linkage for efficient inter-island travel and transport.

The Philippine government has adopted the SLDP's RRTS as one of the major flagship programs of the Arroyo administration because of its strategic importance to an archipelagic country. A Road RORO link system was established along the western seaboard highlighted by a four-day inaugural caravan led by President Arroyo in early April 2003 from Pasay City to Dapitan in Zamboanga del Norte. This officially opened the Strong Republic Nautical Highway (SNRH) connecting the five major islands of Luzon, Mindoro, Panay, Negros and Mindanao. These island links are part of the 48 RRTS major connections identified by DBP to link up the entire archipelago. About twenty five of the 48 connections are commercially profitable. The remaining links are missionary routes and will require strong government and private support to push these projects to become viable undertakings.

To ensure government-private sector participation in the RRTS, Arroyo signed in April 2003 Executive Order 170 mandating all government agencies including DBP to promote and assist private investments in the development of the RRTS.

Among other benefits, the RRTS will stimulate domestic trade and faster integration of local economies and will bring about a more efficient distribution of goods and services, resulting in lower prices of basic commodities, which will contribute to the government's poverty alleviation goal. With the RRTS located in strategic regions of the archipelago, fast and efficient movement of goods will enable farmers and traders to simply roll on their vehicles to these "floating bridges", and roll off from the vessels to their respective destinations. This will not only spur growth in rural areas, but also integrate those areas with the urban areas, create markets for rural produce and help reduce migration to urban centers.

A report submitted by Department of Agriculture Secretary Arthur Yap, citing the results of a study done by Mr. Henry Basilio of the University of Asia and the Pacific on the impact of RRTS, indicated the following benefits arising from the linking of several islands through RRTS:

- Overall reduction in transport costs of as much as 45 percent;
- Reduction in passenger fares of at least 32 percent;
- Record increase in number of tourism arrivals in the areas linked by RRTS: tourist arrivals in Dumaguete City increasing by 8 percent, that is, from 136,000 tourist arrivals in 2003 to 147,000 in 2005; Bacolod City experiencing an 11 percent increase in tourist arrivals, that is, from 205,000 in 2005 to 228,000 in 2005; Caticlan in Aklan province from 215,000 in 2003 to 380,000 in 2005 and Iloilo City with a 77 percent jump in tourist arrivals, that is, from 339,000 to 499,000 in the same period. On the other hand, Dapitan City experienced a large surge in tourist arrivals with the introduction of RRTS: from 8,000 tourist arrivals in 2004 to 35,000 in 2005.

The establishment of RORO ports and terminals fall within the investment priorities of the Philippine Ports Authority and the local government units. RORO ports and terminals are fairly simple and relatively inexpensive to build provided there is present the required water depth. Basic requirements include the RORO ramp, marshalling areas for vehicles, a ticketing office, a waiting room with comfort rooms, and cafeteria. In many terminals, there already exist RORO ramps which will need minor modifications to suit vessel and passenger requirements, while in other areas, new facilities will have to be built.

Some RORO vessels involved in this type of operation are already existent in the Philippines with relatively small investment requirements for building modifications to suit specific local conditions but these are inadequate to meet the growing demand for efficient inter-island travel and transport. With the appropriate incentives and sufficient financing, private investments in acquisition of second hand vessels or building of new, additional RORO vessels can be made to beef up the domestic fleet.

To be able to establish such a Road RORO ferry network in this country, reforms in existing maritime laws and regulations with possible streamlining and restructuring of regulatory functions of concerned agencies such as Maritime Industry Authority (MARINA), Philippine Ports Authority (PPA), Cebu Ports Authority (CPA), and Philippine Coast Guard (PCG) will have to be made. At the same time, there is a great need to generate private sector interest and support to realize the necessary investments in better-equipped and safer RORO vessels. It is crucial to provide the necessary information to various stakeholders including local government units, private business, civil society and the local population in general on the necessary policy and regulatory reforms and more importantly, on the investment requirements for the RRTS.

Counterparts: Development Bank of the Philippines (DBP), Philippine Chamber of Commerce and Industry (PCCI), the National Economic Development Authority (NEDA).

Activities Accomplished:

- EMERGE continued the assistance provided in previous USAID/Philippines projects, EGTA and the TAPS program of PhilExport, to PCCI, NEDA and DBP in promoting Roll on/Roll off (RoRo) shipping as a way of improving competition in the ports business and reducing costs of inter-island shipping. The TA composed of the following:
 - Conversion of private non-commercial ports into commercial ports under the Road Roro Transport System (RRTS). In realizing this, an Executive Order was drafted by EMERGE and the EO was signed by the President on September 19, 2005;
 - Review the RoRo Law and submit recommended amendments. EMERGE drafted its version of the RoRo law and submitted it to Rep. Augusto Baculio, Chairman of the House Committee on RoRo and Railways with the endorsement of the Federation of Philippine Industries;
 - Program for affected port workers. EMERGE was tasked to draft an action plan outlining a program for affected port workers, including possible sources of funds to finance the program. An action plan was drafted by the team and was included in the original version

of the proposed EO. The proposed program for displaced port workers was included in the original draft EO 170-B as one of its provisions. However, since the provision on Chassis on RoRo (CHaRo) was excluded and was recommended to be the subject of a separate EO, the provision on the proposed program for port workers was likewise excluded; finally

- Comment on PPA Administrative Order 03-2004 or Guidelines on the Development, Construction, Management and Operations of Ferry Terminals under the RRTS. EMERGE likewise included comments on the new draft PPA Administrative Order seeking to amend by substitution PPA AO 06-95 and provide for the new guidelines, taking into consideration existing and recent policy issuances (e.g., EO 170 and 170-A & B) on the development, construction, management and operation of private ports.
- The Development Bank of the Philippines (DBP) accessed a technical assistance grant from the USAID-funded Economic Modernization through Efficient Reforms and Governance Enhancement (EMERGE) Project to finance a viability study for the Bicol Mainland-Masbate-Cebu Connection that can be used in its promotion of RRTS investments. The Bicol Mainland-Masbate-Cebu Connection has been identified as one of the missing links in the Central Nautical Highway.

DBP produced an Investment Folio that evaluated the feasibility of RORO vessel and terminal operations considering the following factors: port site identification, port conditions, availability of RORO ramps, pier and terminal facilities, weather and sea conditions, road conditions, type and size of vessels, financial viability of operations, other sources of revenue port condition, weather and sea condition, access road conditions (both barangay and national highway, other conditions related to RORO shipping, cargo handling facilities. DBP used the investment folio on RRTS as a template for presentations to various stakeholders during road shows conducted to provide information and generate investment demand among local government units, private business and other stakeholders.

Two regional investment forums were organized by DBP in Pilar, Sorsogon and Cebu City, wherein the investment folio was presented to various publics and discussed possible institutional arrangements, e.g., joint venture, concession for road-RORO operation.

Reform Milestones Achieved:

- An Executive Order allowing private port operators to operate on a commercial basis was approved by Cabinet and signed by the President on 9/21/05. The chassis provision (Cha-Ro) to handle container trucks will be included in the draft RORO bill, to be sponsored by Chairman of the RoRo Committee.
- EMERGE also provided inputs on the RORO portion of the President's State of the Nation Address (SONA), which were accepted and included in that address. EMERGE also provided comments to NEDA Director General Neri and to the Transportation Committee of the Philippine Chamber of Commerce and Industry (PCCI) on the draft TOR for the privatization-modernization of North Harbor.

- DBP informed during the regional investment forums that around Pesos 44 billion have been allocated by DBP to finance investments in the RRTS and identified 19 missionary routes for investments and financing.
- DBP distributed the investment portfolio developed by EMERGE consultants at the regional investor. Two investors expressed interest in the Pilar-Aroroy part of the highway. One of the two, an RRTS vessel operator, started construction of the Pilar RRTS terminal.

Reform Result 3.1.2. Port efficiency increased

Background and Objective: EMERGE supported the on-going drive of NEDA with support from DA, DOTC and private sector groups to solve the notorious inefficiency of Philippine ports. High shipping costs have contributed to the high cost of doing business in the Philippines, especially for domestic producers, distributors and traders, who are constrained to move cargo and other goods at relatively high cost. Passengers likewise suffer from high sea transport fares. The overall strategy adopted by the government, the private sector and EMERGE was to work on (a) conversion of private non-commercial ports into commercial ports under the RRTS and the privatization of some PPA ports; (b) help draft a Roll-on Roll off (RORO) legislative bill, and (c) adoption of an amelioration program for port workers to be affected by the reforms.

Counterparts: National Economic and Development Authority (NEDA), Department of Agriculture, Department of Transportation and Communication (DOTC) and private sector groups such as Distribution Management Association of the Philippines (DMAP), the Federation of Philippine Industries, and the Mindanao Shippers Association.

Activities Accomplished:

- EMERGE drafted Executive Order (EO) 170-B “Encouraging Further Expansion of the Country’s Road Roll on/Roll off Terminal System (RRTS) and Reduction of Transport Cost through Increase in the Number of RoRo Capable Ports and Conversion of More Private Non-Commercial Port Operations to Private Commercial Port Operations”. EMERGE also actively participated in public consultations to provide technical advise on the possible implementation of the EO.
- EMERGE team provided comments to improve the Philippine Ports Authority Administrative Order 03-200, “Guidelines on the Development, Construction, Management and Operations of Ferry Terminals under the RRTS.”
- EMERGE provided important technical support to the drafting a RORO bill, with principal contribution in the provisions on service and safety standards as well as sanctions and penalties and in streamlining of regulations affecting RRTS. EMERGE provided technical assistance to the Federation of Philippine Industries (FPI) in drafting a RORO Bill. This was submitted by FPI to the Technical Working Group (TWG) created by the House Committee on RORO and Railways to consolidate comments on the RORO Bill (HB 335) filed by Rep. Marcos. EMERGE contributed several of the important new provisions contained in the FPI version, which were not found in the original HB 335.
- EMERGE drafted an action plan outlining a safety net program for port workers affected by the planned reforms in the ports sector. The draft an action plan included possible sources of

funds to finance the safety net program. The action plan was requested by NEDA as an input to Cabinet discussion on increasing the efficiency of port operation.

- EMERGE provided advice to NEDA Director General Neri and to the Transportation Committee of the Philippine Chamber of Commerce and Industry (PCCI) on the draft Terms of Reference developed by the Department of Transportation and Communications (DOTC) on the privatization of North Harbor (Manila).

Reform Milestones Achieved:

- President Arroyo signed Executive Order (EO) 170-B “Encouraging Further Expansion of the Country’s Road Roll on/Roll off Terminal System (RRTS) and Reduction of Transport Cost through Increase in the Number of RoRo Capable Ports and Conversion of More Private Non-Commercial Port Operations to Private Commercial Port Operations, which was drafted through EMERGE technical assistance.
- One of the recommendations EMERGE on the PPA AO 03-200 was to privatize PPA ports. The Philippine Ports Authority subsequently started bidding out financial studies to establish the market values for ports prior to their privatization.
- The Department of the Interior and Local Government issued a memorandum circular instructing all local mayors and provincial governors to stop the collection of wharfage dues, the double charging of RORO terminal fees and illegal collection of fees and taxes by some local government units. The local chief executives (mayors) were directed to refrain from enforcing any ordinance imposing fees and taxes on inter-province transport of goods and regulatory fees on passengers in local ports.
- At least two cabinet members, namely, Secretaries Neri and Yap advocated for greater competition in the port sector and the privatization of PPA ports. This is a critical result in the sense that ownership of the reforms by two key cabinet secretaries will provide the necessary technical and political support to the reform effort.

Reform Result 3.1.3. Roads Adequately Maintained

Background and Objective: In road transport, the poor state of roads and the lack of proper maintenance drive up vehicle operating costs. A key issue is the lack of proper road maintenance arising partly from budgetary constraints faced by the Department of Public Works and Highways (DPWH). The Congress created the Road Fund, which earmarks financing for road maintenance and the alleviation of air pollution. In 2000, Congress passed into law Republic Act No. 8794 – An Act Imposing a Motor Vehicle User’s Charge on Owners of All Types of Motor Vehicles and for Other Purposes. This law mandated the government to provide for and ensure the adequate maintenance of national and provincial roads, as well as minimize air pollution from motor vehicles, through sufficient funding. It provided for an institutional and funding mechanism both for the management of the Road Fund and the implementation of various activities to be undertaken under the Road Fund.

In brief, the law provided for the following:

- A Motor Vehicle User's Charge (MVUC) to be collected from and paid by the owner of the motor vehicle;
- Establishment of special accounts in the National Treasury where the MVUC proceeds are to be deposited and used for the purposes provided for (Special Road Support Fund (SRSF), Special Local Road Fund (SLRF), Special Road Safety Fund (SRSaF) and the Special Vehicle Pollution Control Fund (SVPCF));
- Establishment of the Road Board (RB) and Road Fund Secretariat (RFS); and
- (d) Defined the apportionment and use of the Special Trust Fund.

The Road Fund Secretariat or the Road Board Secretariat requested EMERGE to provide technical assistance that will recommend measures to (a) increase the efficiency of collection of the Road User Charges, and (b) improve the management of the SRSF for better road improvement and maintenance. This refers to the use of the SRSF in the improvement and maintenance of roads and recommendations on how to improve its utilization. In the course of discussions with the Road Board, a third objective was identified, namely to improve the current flow of the SRSF between the Bureau of Treasury and the Road Board itself.

Counterpart: The Road Fund Secretariat or the Road Board Secretariat

Activities Accomplished:

- EMERGE provided the Road Board with a report detailing how to increase the efficiency of collection and utilization of road user charges. The report also gave useful advice on the use of the Special Road Safety Support Fund as well as a proposed organizational structure to strengthen the Road Board Secretariat.
- EMERGE technical assistance identified key constraints to the successful utilization of the Road Fund for road maintenance. Outstanding issue is the actual implementation by the government, more specifically, the Road Board of those recommendations, which they have accepted.

Reform Milestones Achieved:

- The Secretariat made a presentation to the Road Board of the findings and recommendations of the EMERGE Report and informed EMERGE that the Report was used by the Road Board in its strategic planning exercises. Using the findings of the EMERGE Report on optimizing the use of the Road Fund, the Road Board Secretariat submitted to the Road Board several recommendations to improve the implementation of the Road Fund for road maintenance. The Road Board accepted the recommendations of the EMERGE team of consultants.

Reform Objective 3.2. Make telecoms and IT more affordable and accessible

There are two reform results under this reform objective: (a) telecommunications access increased and costs lowered and (b) ICT institutions expanded and developed.

Recent empirical work by Llanto (2007)¹¹ showed that poor infrastructure acts as a binding constraint to growth. A series of empirical tests showed a positive relationship between public infrastructure capital and economic growth. The tests considered three types of infrastructure: roads, electricity and telecommunications. Of these, electricity (for commercial establishments) and telecommunications have a positive and significant impact on output. Llanto's empirical results also indicated that different types of infrastructure would have different impacts on economic growth. It seems that electricity and telecommunications have a more significant impact on growth compared to other type of infrastructure such as roads. As economic growth becomes more dependent on the output of the service sector, it is to be expected that lower cost electricity and telecommunications infrastructure would be critical to economic performance. The recent reforms in the power and telecommunications sector have contributed to greater accessibility of energy and telecommunications services to households and firms and more competition in these sub-sectors, which in turn made possible an overall decline in costs, especially in telecommunications services.

Reforms in the telecommunication industry introduced by the Ramos administration in the nineties have resulted in a competitive and dynamic industry from an industry dominated by a single player. The government granted franchises to new players, encouraged the entry of foreign investors, mandated compulsory interconnection, among others. Those reforms transformed the telecommunications industry to become one of the significant contributors to growth and employment. While the government has pursued reforms for increased competition in the local market, a number of measures still need to be undertaken to institutionalize a competition policy in the country. This is very evident in the ICT sector.

EMERGE technical assistance was focused on building capacity in the National Telecommunications Commission (NTC) to implement competition policy in the information and communications technology (ICT) sector. A first step was to give advice to NTC on a competition policy framework that will provide guidelines to implement the provisions of the Public Telecommunications Policy Act (Republic Act 7925, enacted on March 1995) that call for a competitive telecommunications market.

Reform Result 3.2.1. Telecommunications access increased and costs lowered

Background and Objectives: In her inaugural address, President Arroyo announced an ambitious 10-point "legacy agenda," several of which are directly related to the use and promotion of Information and Communications Technology (ICT). Specifically, the President highlighted the importance of establishing a "digital infrastructure" to take advantage of the country's emerging comparative advantage in ICT which has been a strong source of growth in the past few years.

This focus on ICT has consistently been emphasized by the National Economic Development Authority (NEDA) which identified ICT as a key driver of future and sustained economic growth in the Philippines. Indeed, given the country's large English-speaking workforce, improving communications infrastructure, and relatively cost-effective labor supply, ICT's potential role in encouraging investments and creating jobs cannot be understated.

¹¹ Llanto, Gilberto M. (2007). "Overcoming Infrastructure Constraints to Economic Growth in the Philippines", a report submitted to the Asian Development Bank. October.

Government efforts and policies are partly responsible for the growth of the telecommunications sector, which leads the service industries in growth and performance. Delivery of services has been improved and costs have generally fallen. Due to numerous cellular, international gateway and fixed line providers operating in the domestic market, costs have fallen dramatically and ICT-enabled services such as call centers and business process outsourcing have created numerous jobs and boosted the sector's growth.

Nevertheless, telecommunications density remains low and universal access is an important policy issue. Philippine competitiveness vis-à-vis other countries suffers from relatively high cost of telecommunications and the lack of access by the general population. According to a World Bank study, about 30 million people (40 percent of the population), mostly rural and poor, remain excluded from the most basic means of modern communication. Some 200 municipalities (out of 1,609) and 34,000 barangays (out of approximately 42,500) do not have a payphone. This situation has adverse implications to growth and the poverty situation. The Philippines has lagged in fixed line teledensity relative to its ASEAN neighbors (Malaysia, Thailand, and China) but is second to China in mobile teledensity. The telecommunications market has yet to be fully competitive.

Meanwhile, rapid developments in technology are now putting into question the appropriateness and effectiveness of the present policy and regulatory framework to sustain and encourage the sector's growth. The convergence of technologies now makes it possible for media, telecommunications, cable TV, and even electric utilities to offer the same information and entertainment related services. Unfortunately, Philippine laws and regulations have not kept pace with these developments. The absence of clear rules on new and/or emerging technologies, such as VoIP and 3G, is hampering investment, innovation and competition, and limiting consumer choice and competition in the ICT sector.

The creation of a new Commission for Information and Communications Technology (CICT) in January 2004 by President Arroyo not only underscores the high priority that the current Administration places on the ICT sector – it also recognizes the need to respond to the challenges posed by convergence. The CICT is viewed as the agency that will spearhead development efforts in the ICT during the transition period to a full-blown Department of Information and Communications Technology.

It is in this context that both the CICT and the NTC have requested EMERGE for technical assistance in implementing their respective policy reform agenda. The specific areas for request are as follows:

For the CICT:

- Technical assistance in updating the ITECC Strategic Roadmap in order to identify short to medium term steps necessary to promote the Philippine e-services sector to the global market, including the development of an e-services portal.
- Technical assistance in the development of an e-government strategy, including assistance in the deployment and identification of sustainable models for community e-centers.
- Technical assistance in the CICT's legislative and policy agenda, including but not necessarily limited to issues on:
- The creation of a new Department for ICT

- A Convergence Bill, including a review (and possible amendments to) the Public Telecommunications Policy Act of the Philippines (R.A. 7925).
- Cybercrime and Security
- Updating/Revisions to the E-Commerce Act and the Procurement Law.

For the NTC:

- Legal and technical assistance in providing a comprehensive and sound competitive framework for the ICT sector in view of its current efforts to issue formal rules and regulations to govern Voice over Internet Protocol, and 3G technologies.
- Technical assistance in its advocacy for a law to reorganize the National Telecommunications Commission in order to make it more effective and efficient in its regulatory functions, particularly in light of rapid technological developments such as the convergence, or the emergence of multiple-use networks vs. single-use networks.

Counterparts: National Telecommunications Commission (NTC) and Commission for Information and Communications Technology (CICT)

Activities Accomplished:

- EMERGE supported CICT in conducting a strategic planning workshop that will contribute to the development of the Commission's comprehensive strategic action plan to guide the implementation of its mandate.
- EMERGE provided technical assistance to the Philippine National Telecommunications Commission (NTC) to help design appropriate NTC regulations for voice over internet protocols (VoIP)¹². Major outputs of this TA include the following:
 - Draft Rules on VoIP
 - Accompanying Explanatory Memorandum of Draft Rules on VoIP
 - Memorandum Circular MC 05-08-2005: Final Rules on VoIP
 - Accompanying Explanatory Memorandum on MC 05-08-2005
 - Official NTC Guidelines for the Registration of VoIP Providers
- EMERGE supported NTC in building capacity to implement competition policy in the ICT sector. Activities involved in this initiative were the following:
 - EMERGE helped in the production of a technical report on the elements of a competition policy framework for the ICT sector and the engagement of top NTC officials in a series of dialogues and workshops in formulating 'rules' or 'guidelines' on the implementation of a competition policy framework. The NTC-EMERGE dialogue and workshops were ably supported by a Technical Working Group (TWG) composed of respected local experts in telecommunications from the private sector. Thus, technical reports were produced EMERGE consultants, vetted by NTC commissioners and used to develop 'guidelines' or 'rules' that implement a competition policy framework for the ICT sector.

¹² It should be pointed out that the assistance is actually the result of sustained USAID support spanning at least two USAID-funded projects (EGTA and EMERGE). Specifically, the assistance began with technical support under the auspices of USAID's Economic Governance Technical Assistance (EGTA) which led to the issuance by the NTC of a Consultative Document on VoIP and culminated with the issuance by the NTC on August 23, 2005 of Memorandum Circular 05-08-2005.

- EMERGE helped NTC with a draft Memorandum Circular on Rules on Competitive Safeguards. The term “Significant Market Power Obligations” was changed into “Competitive Safeguards”. The draft Memorandum Circular on Rules on Competitive Safeguards provides the policy, principles and procedures that the Commission will observe in determining, evaluating and curbing the conduct of the licensee(s) that has the purpose or effect of preventing or substantially restricting competition in any telecommunications market. By setting out in detail the regulatory process in detecting, preventing and addressing anti-competitive conduct, the Commission aims to promote transparency in regulation, clarify the criteria that would inform the Commission’s future decisions and assure stakeholders of objective and consistent application of the policy.
- EMERGE assisted NTC in preparing the draft Implementing Guidelines on Reference Access Offers (RAO). Reference Access Offers contain the prices, terms and conditions, including technical information, ordering and provisioning procedures and service level details, of the network access that a public telecommunications carrier proposes to provide to other service providers. The greater transparency in access arrangements will reduce access-related disputes and protect non-dominant service providers against discrimination and abuse of market power by dominant providers.

Reform Milestones Achieved:

- The NTC issued its draft rules for VoIP in a press conference held on March 20, 2005. Under the draft rules, VoIP is classified as a value-added service, paving the way for increased competition in the telecommunications sector. A public hearing on the draft rules is scheduled for May 3, 2005. The new VOIP rules were published via Memorandum Circular 05-08-2005. The NTC held a consultative hearing in order to issue guidelines for ISPs on how to legally provide the service. Consultant also helped to draft the implementing guidelines which were published November 23, 2005. Reportedly no telecom companies will file legal protests to these decisions.
- NTC, consistent with recommendations from EMERGE competition policy consultants, issued interim guidelines for innovative price plans that, a) allow CMTS operators to set and establish minimum standards for grade of service and drop call rates which should be disclosed to the Commission prior to offering and disclosed to the consuming public in all their advertising, and b) mandate improvement of at least 50% of the difference between the voluntary standard and the NTC standard after one year, and full compliance with the NTC standard after two years.
- Using EMERGE technical assistance, the NTC issued a consultative document on the development of a competition policy framework for the information and communications technology sector. The consultative document on Competition Policy for the Telecommunications Sector identified four key policy steps for the NTC to consider:
 - Imposition of significant market power obligations on dominant carriers
 - Local loop unbundling
 - Resale of services and
 - Ex-post regulation.

GRP Success Indicator Achieved:

- Lower rates are now being charged by telecommunications carriers as these began making offers up to 75% lower within days of the issuance of the Memorandum Circular and are now offering as low as 5 cents per minute for overseas calls made using VOIP technology, an 87.5% drop from the usual 40 cents per minute.
- Increased competition with at least seventeen applications for registration by new VoIP Providers approved by the NTC since the issuance of the Memorandum Circular.
- Increased competition with 34 NTC-licensed VOIP providers/resellers since the issuance of the Memorandum Circular.

Reform Result 3.2.2. ICT institutions expanded and developed

Background and Objectives: The bright star in recent reform efforts is the government's successful effort to impose inter-connection and liberalize the telecommunications sector. Republic Act 7925 (Public Telecommunications Act, enacted on March 1995) established the policy framework for the sector. As a result of these reform efforts, the telecommunications sector enabled new IT services industries such as BPO, call centers, and medical transcription. Experts claim that the Philippines has the potential of increasing its BPO services exports to USD 10 billion in exports per year.

At the same time, the potential contribution to the development of the regional economy of reduced telecommunication costs, particularly through the use of voice over the Internet (VOIP technology) is large but remains untapped. VOIP has emerged as “a viable, cost-effective technology that could serve as an alternative to the prevailing system of circuit switched phone services” (DOTC Memorandum dated November 25, 2003). Expanded VOIP use could decrease long distance communication costs radically, improve access, and further encourage ICT-enabled business. NTC believes “it must start from the premise that VOIP services are to be minimally regulated and its widespread deployment encouraged” (NTC Discussion Paper).

The CICT is working for the private sector and local government units to invest in community-e centers. These centers spread out in the countryside is seen by experts of reducing transaction costs of hundreds of thousands of production units, micro, small and medium enterprises. There are few localities in the country that have such e-centers. In other places, a few private investors have ventured into this business but according to CICT their long-run sustainability is doubtful. To be sustainable, the community has yet to appreciate the potential of such e-service facilities to be linked to their various income-generating activities.

The purpose of EMERGE technical assistance ought to lead to the development of a strategy and implementation of measures on how the Philippines would be able at one level: (a) to expand the value added contribution of the IT-enabled services such as BPO to exports, employment and GDP; and (b) to increase and sustain the use of internet and VOIP technologies by MSMEs in the regions.

Counterparts: EMERGE worked with Commission for Information and Communications Technology (CICT), the National Economic Development Authority (NEDA), the Local Government Units (LGUs) and the private sector. Some of the activities were implemented in coordination with its TIERG partner the De La Salle University/Angelo King Institute-PHILEXPORT.

Activities Accomplished:

- EMERGE provided technical assistance to NEDA to improve the investment climate and realize the economic potential of VOIP-enabled BPO and other IT-enabled services sector. EMERGE implemented this technical assistance activity in coordination with its TIERG partner the De La Salle University/Angelo King Institute-PHILEXPORT. The TIERG or Targeted Interventions for Economic Reform and Governance program is comprised of two Institutional Grants for Policy Development (IGPD) and the Economic Modernization through Efficient Reforms and Governance Enhancement (EMERGE) contract.

A technical report was prepared which analyzed the present situation with respect to the actual use of VOIP and internet technology in the Philippines, identified the factors explaining the current utilization level including infrastructure and regulatory gaps as well as the impediments preventing the private sector in investing to provide additional infrastructure capacities.

- A follow-on technical assistance was provided to NEDA to help the agency review emerging cellular and satellite technologies (i.e. cellular broadband and VSAT-Wireless Service) and provide analysis and policy options to the Philippine government.
- EMERGE developed the Last Mile Initiative Project as an initial step toward institutionalizing Community e-Centers intended to bridge the digital divide. Under the LMIP Program, EMERGE technical assistance include the following activities:
 - provided training workshops for 4 Community e-Centers (CeCs) in the Province of Oriental Mindoro on the use of open source applications to create effective websites, which are now being used to provide constituents with online job information and matching services;
 - trained 20 volunteers and facilitators for 4 Gawad Kalinga youth computer centers (or “e-Tambayans”);
 - conducted additional weeklong intensive iSchool training sessions for 36 teachers from 12 public high schools;
 - conducted a training workshop for the iSchools Web Board Program for all 13 ICT Regional Coordinators of the Department of Education;
 - partnered with the Philippine General Hospital-University of the Philippines, College of Medicine to develop and design 4 multi-media modules focused on common medical-related community concerns;
 - in partnership with the United Nations Development Program, conducted extensive research and field surveys and interviews in Community eCenters across the country, which resulted into 2 reference papers providing a suggested methodology for identifying “killer” e-governance applications for CeCs and document initial lessons learned in CeCs set up under the Philippine Government’s Community e-Center Program; and

- set up the Last Mile Initiative website (www.lastmileinitiative.ph) as a tool for documenting and sharing lessons learned and best practices identified in the course of the Project's implementation.
- Upon the request of the Commission on Information and Communications Technology, EMERGE provided assistance in developing a strategic Road Map for the ICT sector. The Strategic Roadmap is meant to provide the framework for the next five years (2006-2010) that will help to provide overall policy direction, while rationalizing policy decisions and choices on ICT. It is envisioned to create wider awareness and appreciation for ICT, identify key initiatives to rally all stakeholders and encourage them to undertake initiatives that complement the short and medium-term ICT development plans of government, provide investment opportunities, layout sustainable strategies for the further development of ICT, define short and medium term objectives, provide the private sector with a reliable frame of reference to heighten their action planning for the future, and increase coordination in implementing ICT programs and achieving the desired impact and outcomes

Reform Milestones Achieved:

The following are the major achievements of the LMIP.

- Job Generation: Using VoIP and webcams to successfully conduct long distance job interviews in Manolo Fortich, Bukidnon (resulting in at least 10 successful job placements)
- Ecotourism: Using the Internet to promote ecotourism in Kiangan, Ifugao Province (resulting in over 100 new visitors and generating hundreds of thousands of pesos worth of revenue in the first two months of the campaign)
- Telemedicine: Preparing health videos and conducting real-time, online trainings for rural health workers in Basak Pardo, Cebu and Bayombong, Nueva Ecija on how to deal with common emergencies.
- Education: Developing the iSchools Web Board, which now enables public school teachers to use the Internet to develop and share course outlines on line in a manner that is fully consistent with standards set by the Department of Education
- E-Governance: Various applications ranging from disaster management to helping community residents find their polling precincts during elections to simply being the conduit for national government agency services, have been documented.

Reform Objective 3.3. Make private sector participation (PSP) in public projects sustainable

There are two reform results under this reform objective: (a) Build-operate-transfer (BOT) contract governance improved and (b) private sector participation (PSP) enhanced through privatization.

The huge investment requirement of the infrastructure sector amid tight budgetary constraints has prompted the national government in the early 1990s to tap the private sector as a partner in development. The BOT law was enacted to encourage private participation in public-infrastructure investments. Following the law's enactment, the BOT program was able to generate a number of projects in the power and transport sectors in the early 1990s.

The privatization program of the government was launched in 1986 under Proclamation No. 50. The twin objectives were to raise much-needed revenues and to allow the private sector to participate in running the accounts to be privatized. With respect to the first objective, the Philippine government can realize much-needed revenues to address the fiscal deficit and to make critical public investments elsewhere in the economy, e.g., provision of merit goods and services to lower-income groups.

With respect to the second reason, the broader the scope of government activities in the economy, the more difficult and costly it is for a government to manage and finance them. It requires a very large bureaucracy, continuing budgetary appropriation and considerable time and effort on the part of government to maintain state-owned enterprises, all of which inevitably lead to operational inefficiency and financial losses. Privatization can free government from the need to provide operating subsidies and allow private initiative to take care of running businesses that are properly in the domain of the private sector.

These programs have allowed greater private sector participation in economic activities and have generated revenues for the cash-strapped Philippine government, contributing significantly to the improvement of the government's fiscal position, especially during the time of the Ramos administration.

The program's momentum, however, slowed down as the country entered the first decade of the 21st century.

The private sector has responded and provided much needed investments following reforms that encourage private sector participation in public investments. Yet since several years will be required before the government can reduce its fiscal deficit to a manageable level, it needs more BOT projects and greater private sector participation to meet the Philippine Medium-Term Development Plan's target of PHP100 billion incremental investments each year for public infrastructure.

Reform Result 3.3.1. Build-operate-transfer (BOT) contract governance improved

Counterparts: Department of Trade and Industry (DTI), Board of Investments (BOI) and BOT Center

Activities Accomplished:

- EMERGE helped DTI/BOI/BOT Center draft necessary amendments to the BOT Law that will provide a clear legal basis for a market-friendly set of rules, regulations, and implementing mechanisms for BOT-type schemes or arrangements. This is viewed to pave the way for

- increased private sector interest and participation in BOT projects. Deliverables in this TA include:
- Research Memorandum and Analysis on different factors that hinder the efficient performance of BOT as an instrument to encourage private sector participation in infrastructure provision with specific advice and recommendations drawing from both local and foreign experience;
 - Assistance in the organization and documentation of consultations, roundtable discussions, workshops and/or conferences with various stakeholders to solicit inputs and comments on the necessary amendments to the BOT Law;
 - A memorandum analyzing the necessary amendments to the BOT Law in the light of the comments and ideas made during the consultations, roundtable discussions, workshops and/or conferences;
 - Draft Bill amending the BOT Law.

Reform Result 3.3.2. Private sector participation (PSP) enhanced through privatization

Counterpart: Department of Finance

Activities Accomplished:

- EMERGE provided DOF with an extensive one-year technical assistance (TA) and training program to organize the privatization of listed public sector assets and train the DOF Privatization Office on structuring an efficient privatization program.
- EMERGE provided support to the DOF Privatization Office on the creation of a comprehensive inventory of government assets and Government Owned and Controlled Corporations (GOCCs) identified for privatization, and the introduction of an effective database management system as basic steps in formulating medium and long term privatization plans and programs. The TA has the following components:
 - Inception Report containing program/activity/timetable and methodology for the conduct of privatization inventory
 - Database/compilation of assets for privatization in electronic and manual form
 - Database management system and training of DOF Privatization Office key personnel
- EMERGE assisted the DOF Privatization Office in putting itself at a vantage position when negotiating with investment bankers, financial advisors and prospective investors. The TA provided general advice and policy options, and not specific transaction assistance, which is the responsibility of the GRP-hired advisors working on a retainer/success-fee basis. EMERGE provides general advice and guidance to support the privatization program, including advising the GRP authorities on the role of the transaction advisors, valuation processes, seller's due diligence, promotion, data rooms, and bid documents. EMERGE also provided advice and

guidance to the GRP authorities on the procurement and management of transaction advisors and investment promoters.

Reform Milestones Achieved:

- EMERGE technical assistance provided government with a comprehensive, well thought out privatization program with clearly-communicated objectives designed to facilitate economic growth in the Philippines and thereby, assist in poverty alleviation. Two of the most important assets were sold supported by efforts from EMERGE Consultants.

EMERGE Success Indicators - Infrastructure

Since the resumption of a democratic framework for the country after a long period of Martial Rule, the country has pushed forward with economic policy reforms and other reforms designed to create a policy environment conducive to the efficient functioning of markets and upholding consumer welfare. Poor outcomes, e.g., high inflation, macroeconomic instability, related to bad policies are slowly becoming a thing of the past as the country starts to reap the gains from those reform efforts.

With the contextual background of Philippine effort to pursue more necessary reforms, the package of reforms pursued in the Infrastructure Component and those under the CDA technical assistance has continued to lay down the groundwork for a policy environment underpinned by competition policy, transparency and good governance. Overall, those reform efforts, some of which have yielded immediate impacts as discussed below, instrument the provision of better services to the public and a competitive environment for private sector investments.

As evidenced by the reform experience under this component of EMERGE, it is necessary to build a strong coalition for market-oriented policies in order to mute or weaken opposition to reform policies. A participatory reform effort in the Infrastructure Component that was shared by various stakeholders, e.g., government agencies requesting EMERGE technical assistance, EMERGE consultants, private sector business and civil society groups, instrumented the production of (a) good policies in telecommunications and nautical highway and (b) more affordable and accessible ICT services, which both will help bring down the cost of telecommunications and transport. The participatory reform effort also has paved the way for better laws that will motivate more private investments, once the draft bills supported and advocated by government agencies (counterparts of EMERGE) such as the draft RORO bill and the draft BOT bill, are enacted into law. Getting government out of business through privatization has created conditions for increased private sector investments, with the additional benefit of substantial revenues to the government that helped reduce the fiscal deficit in 2007.

It is well recognized that many actors or players participate in the policy making process and sometimes, bad (that is, inefficient) policies may have been the outcome of the stronger negotiating or bargaining strength of particular vested groups. This is true of Philippine policy making and thus, equipping government¹³ with the means, such as good policies to resist pressure from lobby groups

¹³ On the assumption of a representative and elected government running the country.

seeking to enhance or retain economic rents at the expense of the general public, especially the low-income groups, is always an excellent use of taxpayers' money. In this regard, the different policy and institutional reforms generated under EMERGE have provided governance structures that will help government to sustain its efforts to create a market friendly environment that will inform growth and development. While the impact of those reforms may not be immediately felt, it is important to recognize that expected pay offs in terms of more output and jobs in the near future will be harder to attain sans those reforms.

For example, the National Telecommunications Commission has started recast the telecommunications regulatory framework toward a more market-friendly, competition policy oriented set of rules and regulations. In the 2007, e-Services Philippines Conference and Exhibition, the NTC presentation considered several ways to curb unfair practices in the telecommunications industry, such as predatory pricing, limiting access of smaller players to the backbone networks of dominant carriers. In another instance, the NTC reported that toward this objective, it is considering mandating the adoption of a reference document for interconnection and access that spells out the terms and conditions under which a carrier with significant market power offers to provide access to its backbone network. This will make transparent the interconnection agreement thereby limiting the power of such dominant carriers to impose unfair conditions for sharing their networks. -

In sum, the successful instrumentation of the policy and institutional reforms under the Infrastructure Component will help bring down the cost of doing business in the country and help make private firms to be more competitive. A recent World Bank report (2005)¹⁴ indicated that poor fiscal conditions and low institutional quality, of which lack of infrastructure is a critical component, have contributed to poor growth and social development record. The same report underscored three factors for the high cost of doing business for firms: unreliable infrastructure, contract enforcement and crime and security costs. In particular, poor infrastructure "imposes the highest avoidable costs, its burden being higher on small firms" (World Bank, 2005, page 2).

On the other hand, the technical assistance given to the Cooperative Development Authority has helped to start building capacity (at CDA) for effective regulation and supervision. The refocusing efforts to make CDA pay more attention to regulation and supervision of cooperatives will ultimately benefit the small borrowers and savers. Typically, poor households in rural communities depend on savings and credit cooperatives for their liquidity and investment requirements in the absence of formal banking facilities in far-flung communities.

The impact of the reforms may not be immediately felt although sometimes there could be results right after the introduction of a reform as may be seen in the experience with telecommunications and privatization reforms. The final discussion below highlights those impacts¹⁵.

Privatization

EMERGE helped the Department of Finance (DOF) with a practical strategy paper, approach and advice to boost the government's privatization efforts. The technical assistance helped the Department in handling the more complicated transactions in 2006 (Maynilad, Al-Amanah, Philnico). By end-2006, EMERGE's assistance eliminated the possibility of national government

¹⁴ World Bank (2005), The Philippines: Towards a Better Investment Climate for Growth and Productivity, May 12.

¹⁵ The following are from a draft performance monitoring report prepared by Ms. Vicente for EMERGE.

subsidies to Maynilad. The successful Maynilad transaction brought in \$447.23M, \$56.4M of which will cover interest, advances and the value of Maynilad common shares worth \$22.7 million. The rest of the bid will be spent on capital expenditures within the three-year period stipulated in the rehabilitation plan and assumption of about \$256.8 million in debt and restructuring agreements.

The government was able to accelerate its privatization program, booking proceeds of P5.8 billion by end-2006, 10.6 times more than its target of P500 million for the year (Table 1). Expert advice provided by EMERGE consultants on the complicated transactions helped the DOF make quick policy decisions and accelerate the sale of assets in its pipeline.

Table 1. Proceeds from Privatization (in million pesos)

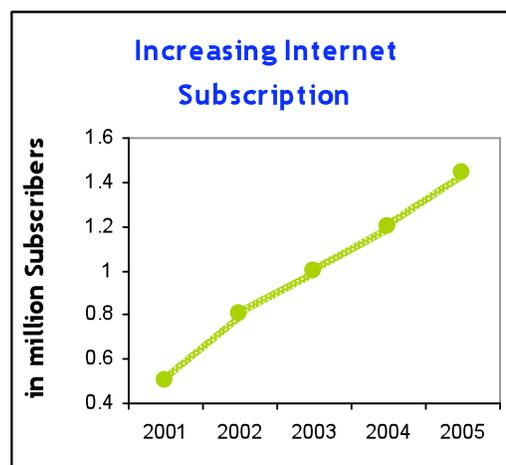
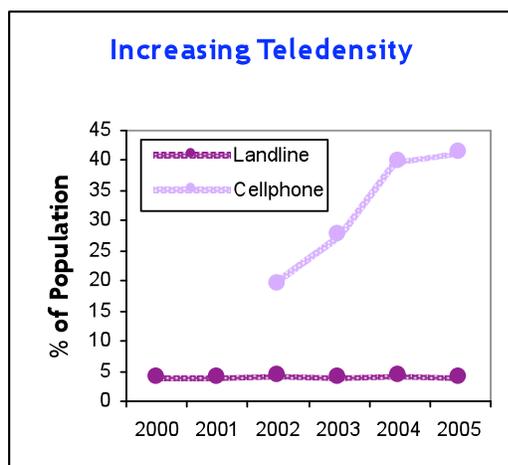
	Program	Actual
2000	21,950	4,646
2001	10,000	1,173
2002	5,000	591
2003	1,000	567
2004	1,000	420
2005	500	2,430
2006	500	5,814

Source: Department of Finance (DOF)

Telecommunications

Increasing tele-density and internet subscription are among the country's development goals. Although EMERGE technical assistance from 2003 to 2007 only had minimal expected impact on tele-density and internet subscription per se, what it aimed for was to assist the NTC in instituting reforms that foster competition in the industry and reduce costs for the consumer. With tele-density already high at 40% in 2005, policymakers found it easier to pursue these latter objectives.

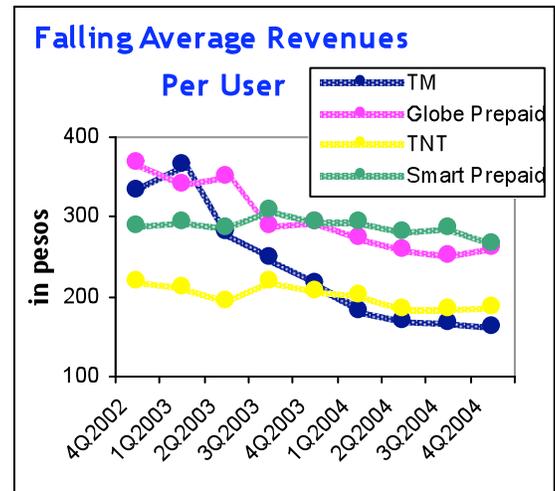
The latest official figures do not yet show the significant improvements from 2005 to 2006, though unofficial reports claim that the country now has a cellular phone tele-density of 45 and has more than 5 million internet subscribers (Table 2).



Across all four cellular phone brands serving the low end of the market, net average revenues per user (ARPU) fell as competition for market share in the lower income classes and budget-conscious users intensified. Globe's Touch Mobile had ARPU declining from P367 in the fourth quarter of 2002 to P162 in the first quarter of 2007. Talk and Text being marketed by Smart Communications had net average revenues per user falling more slowly from its already relatively low level of P220 in the first quarter of 2005 to P187 in the first quarter of 2007.

Table 2. Telecom Indicators

Year	Cellphone Teledensity /1	Landline Teledensity /1	Internet Subscribers in millions
2000		4.01	
2001		3.82	0.50
2002	19.36	4.17	0.80
2003	27.77	4.07	1.00
2004	39.85	4.16	1.20
2005	41.30	4.00	1.44



At the high end, however, net ARPUs for postpaid subscribers using Smart facilities were no longer falling but were instead rising in 2007. The latest official figures indicate that Globe and Smart accounted for 95% of the cellular phone market in 2005. These two large companies each carry three brands, with two prepaid lines each to serve the low end of the market while a postpaid subscription service caters to the high end (Table 3).

Table 3. Competition in the Mobile Telecom Industry
Average Revenues Per User

	TM	Globe Prepaid	TNT	Smart Prepaid	Globe Postpaid	Smart Postpaid
4Q2002	367	603			2,233	
1Q2003	340	541			2,062	
2Q2003	322	551			2,124	
3Q2003	265	504			2,172	
4Q2003	334	496			2,176	
1Q2004	275	497			2,104	
2Q2004	279	469			2,175	
3Q2004	282	386			2,168	
4Q2004	325	393			2,117	
1Q2005	334	368	220	289	2,060	1,257
2Q2005	366	340	212	294	2,159	1,360
3Q2005	281	351	194	285	2,199	1,389
4Q2005	250	288	220	308	1,722	1,467
1Q2006	216	293	207	294	1,679	1,386
2Q2006	183	274	202	294	1,676	1,414
3Q2006	169	259	184	280	1,649	1,403
4Q2006	168	251	184	286	1,686	1,425
1Q2007	162	262	187	267	1,654	1,483

Sources: Globe Telecom and Philippine Long Distance Telephone Company

Net ARPU measures the average monthly net revenue generated for each subscriber. This is computed by dividing recurring net revenues of the segment for the period (net of discounts and interconnection charges to external carriers and content provider revenue share) by the average number of the segment's subscribers and then dividing the quotient by the number of months in the period.

Reforms to lower the cost of telecommunications services have been successful, as industry economics has helped foster competition for market share. Demand for cellular phone services is highly elastic downwards and growth is achieved by targeting a larger share of the broad low-income base. The country's top two telecommunications companies—PLDT and Globe—earn their revenues mostly from cellular phone services. The PLDT group earns 63% and Globe gets 90% of revenues from wireless services. Thus costs have been on their way down to begin with, and government issuances to further reduce the costs of wireless services have been met with lesser resistance than in other industries.

Reform Theme 4 – Vibrant Banking and Capital Markets

The agenda embedded in Reform Theme #4 is another critical component in the overall pursuit of economic modernization and efficient reforms. Since the country's scarcest resource is capital, the basic function of the financial market in managing and redistributing economic savings takes on a heightened role. A vibrant banking and capital market not only maximizes the opportunities underlying the relatively limited domestic funds but also serves as a viable infrastructure for attracting and handling foreign investments for more rapid Philippine development. With all other economies vying for the same stream of foreign savings, the Philippine financial market must be comparable in efficiently managing these resources. There is a clear premium to being efficient within the context of international standards.

Under Reform Theme 4, EMERGE assisted Philippine stakeholders in building the systemic foundations for banking and capital markets (Reform Objective 4.1) as well as attaining competitive parity of the sector's sub-markets (Reform Objective 4.2). Thus, the technical assistance for these reform initiatives undertaken in banking and capital markets reflect the dual intention of providing for the needs of the general public and of the developing economy at large.

Previous reform initiatives for the Philippine financial market typically made a distinction between banking and capital markets. While this practice may have been convenient in organizing and arranging donor assistance, it overlooks the basic fact that the banking sector is not distinct from the capital market because it is by far the most dominant source of capital (i.e., long-term) funds. Thus, initiatives to develop the capital market must include and involve the banking sector. Similarly, a reform agenda that envisions developing long-term funding that is exclusively outside of the banking sector is implicitly requiring a structural change that is the at the extreme of contemporaneous conditions. For these basic reasons, the reform agenda cannot be based on this perfunctory distinction between banking and capital markets.

The approach taken by EMERGE is premised on the notion that a well-functioning financial system must recognize the differentiated roles performed by the different submarkets (i.e., equity, fixed income, foreign currencies and derivatives) and treats all of these as both complements and substitutes. EMERGE use the term “competitive parity” to describe this framework, and it suggests that the success of any one sub-market lies in its ability to perform its expected role given its inherent risk-return profile, as well as on the inabilities of other sub-markets to provide viable alternatives. In this context then, the benchmark for market performance is the availability of viable and sustainable choices in the form of competing products and services.

The project has identified several reform milestones, to which it can relate its technical assistance to its counterparts. In time, these reforms will have their imprint in an improved financial intermediation in the Philippines, needed to mobilize more resources for investment and job creation.

Reform Objective 4.1 Define and Strengthen Systemic Foundations

The Philippine financial market has gone through significant structural changes since the country returned to the voluntary capital markets in the early 90s. These changes would include, 1 for example, the creation of the Philippine Stock Exchange (PSE) and its subsequent demutualization. The regulatory framework for the securities industry (through the Securities Regulation Code or SRC) and the banking industry (via the General Banking Law of 2000 or GBL) respectively have been significantly revised, allowing for the formal adoption of a risk-based supervisory framework, among others. At the level of infrastructure, DVP has been institutionalized through an RTGS system. An inter-dealer platform has recently been launched shifting fixed income trading from a very loose OTC market to the more formal controls under an exchange-based market.

Yet despite all of these reforms, the impression however is that there is still a lot of unfinished work. The absence of a conventionally-defined capital market is by no means an indication that stakeholders have not recognized the need for reforms. It is in this context the EMERGE specifically included this reform objective in order to attain an efficient capital market.

There are three reform results under this reform objective: (a) Unified Strategic Approach among Stakeholders (b) Supervisory Oversight and Regulatory Practices Improved; and (c) World-class Support Infrastructure.

Reform Result 4.1.1 Unified Strategic Approach among Stakeholders

Description and Objectives: The Capital Market Development Council (CMDC) --- the formal venue where financial regulators and the different associations of regulated institutions collaborate in defining the capital market reform agenda --- conducted its first ever planning session in mid-2004. Apart from discussing the status of all pending reforms and ventilating the attendant issues, one of the end results of this planning activity was identifying the major initiatives that will be pursued over the legislative calendar.

Invariably, however, the agreed agenda reflects the areas where there is either common interest or those where the policy concern is delimited to a submarket without further direct impact on the other submarkets. In most cases, the difficult issues are those where there are competing interests, not only between regulators and market players (i.e., on the issue of taxation) but also among market players themselves (i.e., regulatory arbitrage). By mutual agreement, these difficult issues do not form part of the reform agenda that is collectively espoused by the CMDC and is left for the affected institutions to advocate on its own.

This approach has made it quite difficult to attain competitive parity because these pending issues would not amount to a “level playing field”. However, at a subsequent meeting in early November between senior market practitioners and EMERGE, there was a clearer appreciation of the need to formulate a holistic approach for the intended reforms to put the initiatives in a more coherent framework.

At the 2004 November meeting, there was an evolving consensus to go back to basic principles. The Co-Chairman of the CMDC and the Chairman of the Capital Market Development Committee of FINEX --- the de facto technical arm of the Council --- were in favor of starting from basic

principles as a way of pro-actively moving the reform agenda forward. In particular, issues that pertain to taxation, saving and the role of the capital market were of primary focus. The view was that the work on these basic principles can then be used as benchmarks and inputs to the subsequent detailed agenda.

Counterparts: Capital Market Development Council (CMDC) and the Capital Market Development Committee (CMDComm) of the Financial Executives Institute of the Philippines (FINEX), Bangko Sentral ng Pilipinas (BSP), Philippine Dealing and Exchange Corporation (PDEX) and the Bankers Association of the Philippines (BAP).

Activities Accomplished:

- EMERGE supported the Supervision and Examination Sector of the Bangko Sentral ng Pilipinas (BSP) in generating an analysis of saving behavior in the Philippines using disaggregated demographic variables. The use of demographic variables would specifically allow the BSP to gain additional insights on its saving mobilization policies since these can now be reviewed from the perspective of both the macroeconomy and its microfoundations.

One of the significant output of the technical assistance was the acknowledgement of the need for a Consumer Finance Survey (CFS) to collect data that provide more in-depth and comprehensive picture of saving behavior of households in the Philippines. The EMERGE team recommended that Family Income and Expenditure Survey (FIES) data be augmented with more specific data related to saving such as the CFS.

- EMERGE assisted BSP, PDDEX and BAP in coming up and formalizing a reform agenda that would outline core principles, the enabling environment and the market arrangements relevant to the Philippine situation; and provide a technical analysis of the key impediments & policy issues as well as a roadmap for the different sub-markets vis-à-vis the core principles.
- EMERGE provided technical assistance to CMDComm of FINEX to conduct a comprehensive policy review of all tax-related issues that impede competitive forces within the Philippine financial markets. The overall objective is to recommend a tax-neutral financial market where the interests of the government and market players are preserved and balanced.

The technical assistance was done in two phases. The first one conducted a policy review which focused on describing the current landscape and from there proposing a more tax-neutral financial market where the interests of the government and market players are balanced. The findings of this policy review were presented to various stakeholders, including the DOF, BIR and the National Tax Research Center (NTRC), among others.

The succeeding module, Phase II, was focused on identifying the specific economic and fiscal reforms that can be undertaken to achieve the desired tax neutrality. Various reform paths were formulated and a technical model was developed to come up with the revenue impact and transition costs of each path. The process also involved transitions within jointly selected reform paths.

Reform Milestones Achieved:

- The Monetary Board members accepted the findings of the saving behavior study and are looking forward to a follow-on activity to bring someone from the U.S. Federal Reserve Board to help the BSP develop the CFS. They will then consider the EMERGE team's recommendation to make the CFS a rider to the FIES.
- A workshop for the “Financial Market Core Principles and An Enabling Environment for the Capital Market” was held on 24 Oct 05, with the highest-level stakeholders in the financial market participating.

Reform Result 4.1.2. Supervisory Oversight and Regulatory Practices Improved

Description and Objectives: Financial markets are now inherently accessible on a cross-border basis because of both the chosen paradigm of cross-border commerce and the availability of supporting technology. While this broadens the base of economic and financial activity, the downside is that problems tend to have bigger consequences over comparatively shorter periods (i.e., Herstatt Bank at the institutional level and the 1997 Asian crisis at the regional level). Thus, there is greater emphasis among financial regulators to formulate and adhere to so-called best international practices.

There is clear unanimity that various risks must be fully accounted for in the process of supervisory oversight. This forms the basis of what is referred to as risk-based supervision, the most popular of which is the Basel Accord. Philippine banks have been formally under risk-based supervision since the passage of the General Banking Law of 2000 while the Securities and Exchange Commission (SEC) has recently instituted its own framework which is patterned after the American Net Capital rule model.

Apart from the technical challenges of instituting these respective risk-based frameworks, there is increasing discussion on the possibility of supervisory convergence along the lines of an integrated regulator. There is a view that the supervision of financial institutions in the Philippines are prone to “overlaps and oversight” and a single regulator may be better positioned to address this concern. Further underpinning this initiative is the observation that financial products are increasingly hybrids (i.e., convertible bonds, pre-need plans, and subordinated debt) and financial institutions are becoming more of conglomerates (i.e., universal banks, bancassurance). This would mean that the traditional demarcations between banks, securities firms and insurance companies are much more porous today than at any given point in time and this has serious regulatory and supervisory implications.

Counterparts: Financial regulators such as Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), Insurance Commission (IC) and the Philippine Deposit Insurance Corporation (PDIC).

Australian Agency for International Development (AusAID), specifically the Land Administration Management Program (LAMP) II, was also a partner in this broad reform initiative.

Activities Accomplished:

- EMERGE supported the Bangko Sentral ng Pilipinas (BSP) initiative to develop a formal framework for the valuation of real estate that will guide appraisal companies (appraisers) in the conduct of their work.

In order to move systematically in this direction, an expatriate consultant made a short initial trip to the Philippines to discuss the specific issues with the central bank, get an appreciation of the current market situation and prepare an inception highlighting a proposed approach for handling the various policy issues raised.

From the inception report, the EMERGE consultant prepared a concept paper that defined a timeline for the enumerated reforms and identify the stakeholders with whom these initiatives ideally would have to be coordinated. This concept paper then formed the basic guidelines for the envisioned reforms and served as a reference for policy discussions at the Financial Sector Forum, where the BSP took the matter up as a formal agenda concern.

- EMERGE also supported the holding of a two-day symposium and action planning workshop for land appraisal reforms in the Philippines. EMERGE engaged Mr. Mark Bates, who earlier did a diagnostic assessment of land appraisal in the Philippines and drafted an action plan for EMERGE counterpart Deputy Governor Nestor Espenilla, to come to Manila and be a resource person in the symposium. The holding of the symposium is one of his recommendations.

Mr. Ian Lloyd, who is the head of AusAid-supported LAMP II, provided a resource person to talk about valuation laws and practices by LGUs, BIR and other government agencies. The industry had volunteered to present an industry situation report during the Symposium.

The results of the workshop were consolidated into a document on the Proceedings of the Real Estate Appraisal Symposium, which in turn embedded the action plan for improving the Appraisal Industry.

- EMERGE assisted DTI and BSP in holding a workshop on developing a stable Geographic Identifying Code (GIC) for real estate properties. The GIC is needed in developing and maintaining a useful database of real estate transactions.
- EMERGER provided technical assistance to the BSP, through its Department of Economic Research (DER), in the estimation of potential output and the corresponding output gap¹⁶.

Some central banks have found the output gap is a useful indicator of inflation, and thus can be used as an aid to monetary policy formulation. Before the TA, there are no explicit output gap series that appear in the model specifications used by the BSP. The BSP's long-term macroeconomic model (LTMM) uses other (indirect) specification which can be used to estimate potential output, given assumptions on full employment for labor and full utilization for capital. Given that such specifications do not involve output gap measures explicitly, the BSP does not currently estimate output gap explicitly.

¹⁶ Potential output (the level of output that is consistent with a stable rate of inflation given the productive stock of capital) and the output gap (as the deviation of actual output from potential output) are not directly observable.

EMERGE brought in a technical expert from the US to discuss with BSP-DER and other relevant institutions to evaluate what needs to be done in estimating potential output in the specific context of BSP's policy requirements, and prepare an inception report which will indicate the technical work that needs to be done to achieve the objectives of the BSP.

- Follow-on technical assistance was given to BSP-DER is to undertake the actual estimation with the vision of presenting a final model to the Monetary Board. The Board has adopted the project's main recommendations including the regular estimation, discussion, and publication of output gap as unofficial statistics. The BSP has, on the other hand, adopted the recommendations that came out of the project, which is to combine three output gap models the project has developed and estimated with the rates of growth of broad money, nominal wages and oil prices for forecasting inflation.
- After the highly successful TA to BSP on output gap models, another follow-on technical assistance was given by EMERGE. The task was to formulate dynamic stochastic general equilibrium (DSGE) model for the BSP, which they will use in tracking the transmission mechanism of its policy interventions to the monetary, financial, real and external sectors of the economy in order to further enhance the implementation of its inflation targeting framework.

Reform Milestones Achieved:

- The inception report of the EMERGE Real Estate Appraisal consultant was translated into a strategic roadmap with specific timelines. DG Espenilla has accepted it and has begun to build a coalition of stakeholders to implement it.
- In a meeting on 26 December 2006, the Monetary Board has adopted the recommendations of EMERGE resulting from the technical assistance on output gap estimation. Included among the adopted recommendations are the regular estimation, discussion, and publication of output gap as unofficial statistics. The BSP has, on the other hand, adopted the recommendations that came out of the project, which is to combine three output gap models the project has developed and estimated with the rates of growth of broad money, nominal wages and oil prices for forecasting inflation.
- In its Inflation Report: Fourth Quarter 2006 (January 2007), BSP has announced that it will include estimates of output gaps beginning in the first quarter of 2007.
- BSP accepted the framework for Bayesian estimations of a dynamic stochastic general equilibrium (DSGE) model of the economy for its use in forecasting inflation.

Reform Objective 4.2. Develop Competitive Parity Among Submarkets

There are two reform results under this reform objective: (a) Impediments from primary markets removed; and (b) credible and transparent market prices instilled.

Reform Result 4.2.1. Impediments from Primary Markets Removed

Description and Objectives: There are strong views held about the presence (or absence) of competitive forces within and across submarkets. Normally, it is observed that banking spreads in the Philippines are large compared with our regional neighbors while debt-financing government securities dominate the investment market as equities remain “inactive”.

While all of these observations are borne by raw data, there have been limited efforts in trying to see the system from a holistic view. Since these are the primary markets by which access to saving and debt can be made, it is important to have a benchmark against which all subsequent “facts” can be vetted.

While some of these primary markets may already have been the subject of previous studies (notably banking), what would make these benchmark studies different is the framework of competitive parity that will be applied. Thus, the envisioned technical studies will look into the primary markets partly in the context of the funds flow from other submarkets. This will give it a technical grounding that has not been done before. Where data permits and the need are compelling, regional comparisons should likewise be made.

Counterparts: Capital Market Development Council and its component organizations

Activities Accomplished:

- After the initial success of the first LGU program-policy loan¹⁷, EMERGE provided technical assistance to the DOF and the Municipal Development Fund Office (MDFO) to develop a manual of operations that prescribes a set of guidelines for the implementation of the MDFO’s LGU Program-Policy Loan Facility. Formal guidelines include selection criteria, policy area menu, and interest rate policy to govern the program, among others.

The technical assistance consisted of two stages. In the first stage, the EMERGE-supported consultants performed the following:

1. Reviewed and documented similar loan products or offerings of other lending institutions, if any
2. Prepared a draft manual of operations;
3. Presented the draft manual to the MDFO-PGB for review; and
4. Finalized the draft manual based on MDFO-OGB comments and submitted it to MDFO management for approval.

In the second stage of the technical assistance, EMERGE-supported consultants helped MDFO develop other policy loan proposals of provincial governments under the MDFO LGU Program-Policy Loan Facility and modified the existing Operations Manual. EMERGE consultants assisted four (4) provincial governments package policy loan proposals (the provinces of Negros Occidental, Misamis Occidental, Mindoro Occidental and Rizal).

¹⁷ The first program-policy loan (Negros Occidental) was provided with technical assistance from USAID’s Economic Governance Technical Assistance (EGTA) project (formerly AGILE). EGTA also provided technical assistance in the conceptualization, formulation, and, design of the program loan program, drafting of the loan covenant for the pilot, and logistical support for the loan negotiations.

- EMERGE worked with the DOF and the National Credit Council (NCC) to conduct an evaluation of the recently-concluded USAID-supported Credit Policy Improvement Program (CPIP). This evaluation re-assessed the objectives of CPIP in the context of current market conditions and reviewed both the activities undertaken (vis-à-vis the program objectives) and the means/process employed to achieve these objectives.

The results of the assessment show that the CPIP had substantially achieved its objectives in providing technical assistance to the National Credit Council (NCC), which include: (a) enhance the capability of NCC to set credit policy; (b) rationalize the government's policies on credit, savings and loan guarantees; and (c) create enabling policy environment that will facilitate the increased participation of the private sector, including microfinance institutions (MFIs), in the provision of financial services to all sectors of the economy, including the basic (poor) sectors.

- NCC requested EMERGE support for a follow-on activity to an earlier USAID-supported CPIP. Considering the limited budget for the microfinance sector and time constraints, NCC decided to focus the support on reform initiatives for the cooperative sector, so that it could play a much larger role in the microfinance market. The technical assistance (TA) activities were designed to reinforce each other in attaining the NCC objective of strengthening the Credit Development Authority (CDA) capacity to regulate and supervise cooperatives with savings and credit functions. EMERGE, in particular, engaged the services of an expert to design a micro-finance program to pursue the second generation reforms that could facilitate financial services to micro and small enterprises, and once the program was in place, to supervise its implementation.
- Following the TA to the NCC and CDA, EMERGE assisted DA on a number of critical outputs: (a) assessment of the database for the savings and credit cooperatives; (b) capacity on developing adjudication and dispute resolution among cooperatives; (c) basic training on regulation and supervision; and (d) cooperative governance training for the CDA Board of Administrators.

Evaluation and Assessment of the Database for the Cooperative Sector with Savings and Credit Services.

CDA requested EMERGE a technical assistance to help the agency develop a good database system on cooperatives. The technical assistance consisted of evaluating the usefulness of various data collection instruments used by CDA and of proposing a new and more effective data collection instrument. EMERGE assistance to the CDA resulted in the following:

- Development and formulation of the Cooperative Annual Performance Report (CAPR), a data collection instrument to determine the status and performance of cooperatives.
- Development of a user's manual to ensure proper implementation of the CAPR.
- Training of concerned CDA personnel on the proper usage and understanding of the CAPR
- CDA ADR Training Modules and Training Project

Intra-cooperative disputes, which reached more than 500 cases brought to the CDA in 2005 for resolution, have debilitating effects on the operations of cooperatives and have taken away much of CDA's time and resources that could have been devoted to supervision and regulation of cooperatives. To address this problem CDA requested EMERGE technical assistance to

develop and introduce a framework for developing alternative dispute resolution (ADR) mechanisms.

The first Alternative Dispute Resolution training for the Cooperatives was conducted on May 2007 at the NATCCO training center in Project 4, Quezon City. The 23 graduates of the 14-day training on mediation voluntarily signed an oath of solidarity and commitment to address conflicts in a non-adversarial manner through the learned techniques in conciliation-mediation and to bind themselves into a cohesive group through the formation of a Conciliation-Mediation Service Cooperative to render preparatory trainings, member-development programs and camaraderie-development activities to themselves and to their installed members in the Mediation-Conciliation Committees now existing in primary cooperatives.

The second ADR training for cooperatives in the Visayas and Mindanao was done on 28 May to 9 June 2007. Except for one who dropped out, all 62 trainees finished the classroom training on mediation. Additionally, the CDA staff was ADR training on 12 – 22 June 2007 while the training of trainers was conducted on 22 – 23 June 2007.

EMERGE developed a framework and a set of mechanisms for developing alternative dispute resolution (ADR), which was adopted by CDA. Intra- and inter-cooperative disputes shall be settled first at all levels of the cooperatives before sending them to CDA for mediation and conciliation or to the regular courts, which are currently saddled with thousands of unsettled cases, for litigation.

Based on this framework and in consultation with all levels of cooperatives in twelve (12) regional consultation workshops made possible through EMERGE's assistance, the CDA Board of Administrators (BOA) issued in March 2007 the three (3) memorandum circulars.

Basic Training Courses on Supervision and Regulation of Cooperatives with Savings and Credit Services

The EMERGE Project helped the CDA develop basic training courses on the supervision and regulation of cooperatives with savings and credit services (SCCs). A training module for CDA management/technical/administrative staff was developed covering the objectives and elements of supervision, the different supervisory processes, risk-based supervision and examination concepts, and the types of risks that SCCs face and management of these risks. Apart from this, EMERGE also assisted in the conduct of three training sessions for the CDA management staff and lectures in some of the topics in the training modules.

Corporate Governance Seminar for the Board of Administrators of the Cooperative Development Authority

With assistance from the EMERGE Project. A professor from De La Salle University, a leading private university, developed a 3-day course on corporate governance suited to CDA BOA members and the seminar on Corporate Governance for the CDA Board. All except one member of the Board attended the seminar.

Reform Milestones Achieved:

- The EMERGE-developed manual has been accepted and adopted by the PGB of the MDFO on 3 August 2006 and consequently used in the preparation and review of the policy loan proposal “Enhanced Local Revenue Generation and Fund Management” of the Province of Davao Oriental.

With EMERGE TA on the MDFO Policy-based Lending (ProLend) for LGUs, several loan proposals from LGUs were packaged. These are:

1. Negros Occidental - Packaging of the loan completed, Sanggunian Panlalawigan Resolution obtained (Provincial Council approval for the Governor to negotiate for the loan) and loan packaged approved by MDFO Policy Governing Board. However, the loan amount approved was reduced from 200 million pesos to 120 million since the province already has a MDFO program loan amounting to 120 million.
 2. Rizal - Packaging of the loan completed, Sanggunian Panlalawigan Resolution obtained and loan package approved by MDFO Policy Governing Board. The loan amount approved was 200 million pesos. Currently, the first tranche is being released.
 3. Iloilo - Packaging of the loan completed but Sanggunian Panlalawigan Resolution was not obtained by the LGU.
 4. Misamis Occidental - Packaging of the loan completed but Sanggunian Panlalawigan Resolution was not obtained by the LGU.
- The 23 graduates of the first 14-day training on mediation formulated on their own initiative and voluntarily signed an Oath of Solidarity and Commitment to address conflicts in a non-adversarial manner through the learned techniques in conciliation-mediation and to bind themselves into a cohesive group through the formation of a Conciliation-Mediation Service Cooperative to render preparatory trainings, member-development programs and camaraderie-development activities to themselves and to their installed members in the Mediation-Conciliation Committees now existing in primary cooperatives. This augurs well for the implementation of the ADR program for the cooperative sector.
 - Based on CDA-ADR framework and in consultation with all levels of cooperatives in twelve (12) regional consultation workshops made possible through EMERGE’s assistance, the CDA Board of Administrators (BOA) issued in March 2007 the following three memorandum circulars:
 1. MEMORANDUM CIRCULAR No. MC 2007-05: Guidelines for the implementation of Conciliation-Mediation of Cooperative Disputes at the Primary Cooperatives
 2. MEMORANDUM CIRCULAR No. MC 2007-04: Guidelines for the Implementation of the of Conciliation-Mediation of Cooperative Disputes at Unions/Federations

3. MEMORANDUM CIRCULAR No. MC 2007-03: Guidelines for the Implementation of the of Conciliation-Mediation of Cooperative Disputes at Cooperative Development Authority

- During its meeting in April 2007, the BOA approved the Cooperative Annual Performance Report (CAPR) prepared by EMERGE Consultants in consultation with CDA staff and primary cooperatives. The CAPR is a new data collection instrument that will replace existing data collection instruments of CDA. The accompanying user's manual prepared by EMERGE consultants and conduct of training of CDA staff also done by EMERGE consultants have prepared CDA staff in using the CAPR in the next round of inspection of cooperatives scheduled in early 2008.
- During the EMERGE-assisted 3-day seminar on corporate governance, the CDA- BOA produced two major outputs, namely:
 - manual on corporate governance for the CDA, which is a 5-page document which contains and outlines the approach for institutionalizing the principles of good corporate governance in the entire organization and a provision designating a staff as a compliance officer; and
 - a memorandum circular on completed staff work, which mandates CDA staff that such matters for decision shall undergo a thorough evaluation and analysis of the issue/s involved, including such factors which attendant to the problem, the alternatives that may be adopted, and a recommendation by the concerned division/ unit involved. Further, such staff work shall also include the comments and further suggestions of other units/stakeholders involved in the possible course of action to be undertaken.
- During its regular monthly meeting immediately following the seminar, the BOA officially confirmed and approved the two outputs of the seminar on corporate governance. Thus, currently, the CDA has now a manual on corporate governance for the agency and a clear policy on completed staff work.

Reform Result 4.2.2. Credible and Transparent Market Prices Instilled

Description and Objectives: Financial market stakeholders always act upon price information. This is to be expected because the efficiency of any market will always be governed by the extent to which prices fully reflect all information. In this context, this reform result is the logical end-result of the reform agenda.

In the current structure, there are still impediments to credible and transparent market prices. At one level, there are friction costs in the secondary markets where these prices are generated. Thus, a review of these impediments and their possible resolution must be made, in the overall context of the Reform Objective 4.1.

At another level, the country continues to be fixated with a single rate as its benchmark (91-day Treasury Bill rate) at the expense of a maturing yield curve. This is an impediment because it does waste the available information, which the yield curve provides. In this respect, the task is to inspire the credibility of a market-driven yield curve and to instill its acceptance. At present, a Philippine Reference rate (Phiref) is generated daily, offering a yield curve from 1 day all the way to 25 years.

However, this yield curve does not yet appear to be widely in use and its impediments must be reviewed and addressed.

The importance of the yield curve is not merely for technical benchmarking. In actual practice, best international standards require a mark-to-market valuation of the so-called trading book. This would not be possible without a credible yield curve upon which the daily gains and losses must be accounted for and booked directly against capital. In this sense, this valuation issue ties back to the risk-based supervision issue described in Reform Result 4.1.2.

Counterparts: Bureau of Treasury, Securities and Exchange Commission (SEC), Bankers Association of the Philippines, Philippine Dealing & Exchange Corporation and the Capital Market Development Council.

The Asian Development Bank (ADB) also embarked as a partner in providing technical assistance under this reform result.

Activities Accomplished:

- EMERGE co-financed with the Asian Development Bank the 3-lecture 2-office study tour on surveillance issues related to fixed income markets at the National Association of Securities Dealers (NASD) in Washington, D.C., U.S.A. of the Assistant Director, Market Regulation Department of the SEC and a Compliance Officer at the PDEX.
- EMERGE provided funding assistance to SEC to extend the use of the Advanced Warning and Control Systems (AWACS). AWACS is the market surveillance system used by SEC under license from SGD Software, a company based in India. It allows SEC to monitor positions of significant size and warns of unusual market activities through a number of alert management tools. The system also enables SEC to scrutinize events that can be used as evidence by replaying the exact sequence of events (market transactions).
- EMERGE provided assistance to SEC for the participation of its Chairman to the US SEC training program on Securities and Exchange Enforcement and Market Oversight in Washington, D.C. and for a study tour to the Depository Trust and Clearing Corporation (DTCC), New York Stock Exchange (NYSE) and NASDAQ.
- EMERGE provided assistance to the SEC for the participation of the SEC Commissioner to the U.S. SEC Annual International Institute for Securities Market Development in Washington, D.C. and to the Industry Visitation Program.
- EMERGE supported PDEX to (i) review of the draft of the Exchange Rules; (ii) draft Product Pricing and Operating and Control procedures sections of the manual; and (iii) draft MOA for the BSP and the PSSC to cover Delivery vs. Payment (DvP) and a forex Payment versus Payment (PvP) system.

Reform Milestones Achieved:

- With EMERGE TA, the SEC approved the application of PDEX as a Self-Regulating Organization (SRO) in 2006.

- The final report of EMERGE to PDEX was accepted by the counterpart and its technical recommendations will be implemented when public market trading is launched.

3. Conclusion

The EMERGE project is widely considered to have been successful in helping the GRP and other policy reform counterparts (the business community and the civil society) achieve important policy, regulatory and institutional reforms both at the economic and governance perspective. Anecdotal evidences from counterparts support this. It seems also fair to conclude that the project has achieved most of its targeted reform milestones based on the technical reports, monthly and quarterly reports, and from the recently conducted informal EMERGE-self assessment conducted by one of its implementing agency – the Nathan Associates, Inc.

Some reforms such as telecommunications and information and communications technology regulatory improvements, among others, have already had an impact on the economy or on public sector governance. Others have yielded enabling orders (e.g. Republic Acts, Executive Orders, Department Orders and other issuances). They have helped provide infrastructure and the proper climate for greater investments and market-led growth in the economy at present and in the future.

Other reforms carry substantial promise, are goods starts, and in some cases have had initial impacts on the economy, but need to be followed up by the government and by civil society groups through their reform advocacies.

This section will now briefly discuss the EMERGE experience and lessons learned from providing assistance to GRP in attaining its overarching goal of economic modernization and development. As well, recommendations will also be laid down for the purpose of charting the way forward for other USAID/Philippines's Economic Growth Activities.

EMERGE Experience and Lessons Learned

Several factors contributed to the success of the EMERGE technical assistance in the areas of trade and investment. Important lessons can be drawn from the experience, which can guide implementation of similar programs in the future. The following are the most compelling:

1. Flexible and Adaptable Arrangements: the EMERGE Results framework and work plan

The EMERGE results framework, by identifying areas where policy reforms were needed, provided direction to the EMERGE team, particularly in prioritizing competing demands for technical assistance given the limited budget. The annual work plan, on the other hand, provided the implementation details of the policy reforms. Nonetheless, EMERGE was flexible to respond to

take advantage of emerging opportunities for policy reforms, not foreseen in the annual work plan. At the same time, EMERGE was quick to withdraw activities where progress and results were not forthcoming.

2. Process and approach

A study from the Oxford Policy Management¹⁸ enumerated some of the reasons why the effectiveness of most technical assistance in achieving development objectives and specifically as a means to build capacity within the developing country governments is being questioned for many years. The central issue is that technical assistance has been used as an instrument of donor policy that is disconnected from recipient country demand and market principles. This observation explains many of the failings of technical assistance highlighted by the literature, which include, among others:

1. Technical assistance is donor-driven rather than demand-driven. It has tended to be dictated by changing donor fashions and strategic priorities, and has been only loosely related to needs expressed by recipients.
2. Recipient government ownership has been eroded because donors maintain excessive control of TA management. TA staff tends to be accountable to donors rather than recipients. The costs of TA are high, are raised by aid-tying, and quality is variable.
3. Technical assistance is often deployed in a gap-filling role rather than as a means to build long-term capacity. Consequently, sustainability is very limited.

According to the study, proposals for TA reform have been of two main types. The first is concerned with improving the performance of TA without requiring fundamental changes in the way donors do business, for instance through improved performance monitoring or pooling arrangements. The second type of reform is more fundamental and focuses on recipient demand-driven market-led approaches that are integrated into national planning and management systems and budgets. However this literature has tended to focus on viewing TA as an instrument of donor policy, rather than focusing on the issue of how to make markets for advisory services and expertise function more effectively, and building the capacity of developing country governments to procure and manage their needs for such services more effectively.

Apparently, EMERGE has adopted the second one. Indeed, the demand-driven, market-based, country-owned approach to the EMERGE TA was an essential ingredient to the success of the most projects. The approach ensures strong sense of ownership to the policy reform by the counterparts, resulting from the involvement of government counterparts in the conceptualization, design, and implementation of the TA. In return, the participation and commitment of government counterparts in the entire process is encouraged. However, the good working relationship of EMERGE consultants with the counterparts is critical in creating an environment which makes this possible.

3. Government counterparts

A good government counterpart is one who recognizes that the technical assistance is not a substitute to his agency's programs but rather a means to help achieve the goals and objectives of

¹⁸ Williams, G., et.al. (2003) "A Vision for the Future of Technical Assistance in the International Development System: Final Report (Revised)", Oxford Policy Management.

the agency's programs. Often, this attitude is manifested in the counterpart's level of commitment to the project.

The project management capability of government counterparts is also essential to ensure success of the TA. How involved the counterparts are in project management defines pretty much their level of commitment. This was important to sustain the process of reforms, especially when constraints and problems arise in project implementation.

Policy reforms cannot be done in isolation with other stakeholders. So while the government counterpart spearheads the reform process, his ability to rally the support of other government agencies and stakeholders to the reform is also critical to the success of the technical assistance. The support can be in various forms, like participation in meetings related to the project, or membership in a Steering Committee or Task Force that oversees the implementation of the technical assistance, as in the case of the S&C Portal Steering Committee or the SPS Task Force.

Even if support for reforms in the direction, which the GRP has taken, has already reached a critical mass, threats of policy reversal still remain. This certainly demands more policy advocacy inputs from the GRP counterparts.

4. Turn-over of officials and employees

From 2004 to 2008, the BIR has had four Commissioners, with failure to meet collection targets as a major reason for the changes. The high turnover of officials and the staff reorganization following changes in the leadership has severely affected the pace and direction of tax administration reforms and the EMERGE technical assistance. In almost all of the technical assistance tasks carried out, the EMERGE project team has to work with different sets of project team counterparts – from the development of the terms of reference, to the implementation, and the acceptance of final outputs – requiring repetition, reorientation, and sometimes, modifications in the design of technical assistance in order to obtain buy-in and support. Apparently, the high turnover of officials is not unique to the BIR; this was also true for the other agencies such as BOC, LTO, LTRFB, and IC.

5. Absorptive Capacity of Partner Agencies

In addition to the high turnovers in project team counterparts, the absorptive capacity of the partner agencies also plays an important factor in the delivery of technical assistance and the achievement of reform results. BIR and DBM, for example, are favorite targets of technical assistance from various donor agencies. The EMERGE project is just one of the many donor-assisted projects in BIR and DBM. On various occasions, EMERGE had to compete with other donor-assisted projects for the attention of partner agencies, as the coordination mechanism among donor institutions remains weak. The development of new systems and procedures means additional workload, especially for the agency counterpart team members. Consequently, many of the EMERGE planned technical assistance tasks in DBM were shelved, while the completion of many technical assistance tasks in the BIR was delayed due to the heavy workload of the partner agencies and counterpart staff. A similar case is found in the TA provided to the BPS, which was carried along with the TA from the EU.

The organizational resources, especially of the BIR, should therefore be carefully studied. Does the partner agency have the manpower complement, IT infrastructure, and logistics to be internationally at par with its counterpart agency of other countries? Is it in a position to effectively absorb

technical assistance, as they have been packaged? A cursory look at the BIR's financial operation shows that the bureau's actual annual budget in the last five years averaged at only around 0.07 percent of GDP, or 0.72 percent of its annual revenue collection. The bureau has experienced very high turnover rates especially in its IT personnel because it cannot offer competitive salaries.

6. Lagged impact of policy reform initiatives

The reforms did not happen quickly and seamlessly. In fact, EMERGE had an original estimated life of four⁽⁴⁾ years beginning in August 2004 through September 2007 but was extended up to September 2008 to support GRP's efforts to continue some of the reform initiatives it had started and to initiate new ones that were inspired by the early successes in policy formulation and implementation.

For example, the EMERGE technical assistance to BIR, which is focused on systems improvements, may not yield immediate results in terms of additional revenues or more cost effective government expenditures. The impact of the development, adoption, and full implementation of new systems and procedures takes time to materialize. For instance, the eTCVD and ONET3 are just to be rolled out nationwide. The development of the automated tax ruling system which had been approved for funding under the e-Government (e-Gov) Fund of the Government Annual Appropriations Act is just about to be subjected to bidding. The PMS and IFRS training cannot be directly equated with additional revenues.

Nevertheless, these improvements in the BIR tax administration capacity are the changes which need to be institutionalized to achieve sustained increase in the bureau's revenue collection over the medium and long term. While their immediate effects may not be as pronounced as a hike in tax rates, systems improvement and tax administration reforms are expected to usher in greater efficiency, transparency, accountability, and a culture of performance, which in turn should translate to sustained increase in revenue collection. Instead of solely depending on external forces, e.g., legislation to increase in tax rates, BIR should maximize the efficiency of its internal organization to achieve its goals.

It is also to be noted that given political realities in the Philippines, reform proposals that require legislative action usually take more time before they can be adopted and implemented. And most of the GRP counterparts' reform initiatives are of this kind, which required more policy advocacy inputs. The good thing the EMERGE did was to instill in the counterparts' minds that EMERGE will not be always there to assist them. As such, technical assistance activities embed the notion of sustainability and the graduation from aid.

7. Inherent weaknesses of bilateral aid

One of the weaknesses of bilateral aid agencies, such as the USAID, as providers of technical assistance is their widely perceived non-neutrality and illegitimacy. Unlike multilateral agencies such as the UN system where the intergovernmental decision making structure creates a wide sense of ownership amongst member countries, bilateral aid agencies are often perceived to be acting in the donor's own national interest. As such, bilateral aid agencies often failed to play the role of an honest broker in politically sensitive areas.

Such ill-perceived notion has been evident specifically in the ICIP-grant to the American Chamber of Commerce Philippines with respect to their advocacy on banning imported used-vehicles. This notion was also apparent in most TAs involving support to the Philippines' international trade negotiating strategies and processes (i.e. ITAC project with the DTI). Focused Group Discussions in the development of the ITAC project revealed that some of the stakeholders are thinking that the TA is allegedly being used by the US to influence negotiating strategies in favor of their national interests.

The seemingly tied technical assistance of EMERGE has been also an impediment in efficiently delivering technical assistance to GRP counterparts and other stakeholders in the country. Specifically, the difficulty in sourcing technical assistance services from other country aside from the US and the Philippines, sometimes make the TA costly, if not infeasible.

Recommendations

In charting the way forward for other USAID/Philippines's Economic Growth Activities, operating environment factors and forces must be accounted for. Philippines's continuing country economic context is of course fundamental. But other considerations also need to shape.

1. Engage Civil Society in all GRP Reform efforts. Increasing the involvement of civil society groups in government reform efforts has proven to be the "best possible practice" reform model -- one that strengthens the "bottom-up" capacity of civil society in the country to be included in the debate about designing a reform, partnering on the implementation, and taking equity in the process of sustaining the reform, and continuing to pursue other reforms.

2. Target reforms that have strong advocates only. Reforms should have (1) substantive merit, that champions in government could support (acceptable risk), and – more importantly -- (2) some groups in private sector and civil society were leading and would stay the course advocating the reform.

3. Allow greater flexibility in sourcing technical assistance services from other countries. As previously discussed, the USAID technical assistance remains seemingly tied. This raises the cost of technical assistance and greatly complicates the process of procurement responsibilities from donors to recipient governments. Full untying of TA is a precondition implementing market-based and country-owned technical assistance.

4. Consider pooling of TA Funds. Pooling refers to the combining of donor resources in support of a common technical assistance program. The primary aim is to improve donor coordination, to reduce fragmentation, and to limit the administrative burden on recipient governments of managing multiple aid relationships. Many of EMERGE technical assistances (e.g. BOC and BSP TAs) are product of co-funding and cooperation between USAID and other donor agencies (e.g. AUSAid and ADB). This kind of partnership has been found to strengthen government ownership and also deemed effective in creating comprehensive national reform initiatives, especially with the limited funds from separate donor agencies.

However, effective implementation of such projects greatly depends on the extent of government control over the use of pooled donor funds. In the Philippines, the most common arrangement is loose TA pooling where governments and donors agree on a common program, but TA contracting and fund management is carried out by individual donors. This is what happened in the case of the S&C Portal which was implemented together with the EU-TRTA. TA pooling, in this case, created complex coordination problems for donors, and has been very demanding on recipient country capacity. It could have been much easier had the arrangement was the full TA pooling where the fund management is handled by the GRP counterpart.

5. Carry out effective monitoring and evaluation. As stated above, the EMERGE Project has been successful, not only in delivering technical assistance to GRP, but also in its goal of creating significant impact on the GRP's effort to implement important policy, regulatory and institutional reforms both at the economic and governance perspective. Although the EMERGE Project is not about the quantity of policy instruments, assessment of its effectiveness could have been much better had its successes were supported by numbers. Project that involves policy reforms, such as EMERGE, should therefore institute and maintain comprehensive monitoring and evaluation.

6. Maintain periodic strategy review sessions between activity team leaders and senior management. Periodic strategy review between the 'actors' of the project could be a good way to help verify the vision and strategy as well as the appropriateness of the team for the task at hand. This could provide sufficient time for changes in the policy or institutional environment to occur, which could affect the likelihood of success.

Attachment 1. EMERGE Project Summary of Tasks and Accomplishments

Task	Project Deliverables		Performance Milestones		GRP Success Indicators
	Description	Status	Description	Status	Description
Task 1.1.1.1 Improved One Time Tax Transactions (ONETT) System	(a) An internet-based system that has the required attributes specified in Section 1.3, items 01-08 of this Terms of Reference. (b) Deliverable No.1 installed and tested in two (2) pilot sites to be identified, one in a Revenue District Office (RDO), and another in Land Regulatory Authority-Register of Deeds (LRA-RD) Office.	completed	MO 233 issued by PGMA in Dec 2006 directs the LRA, through the RoD, to annotate in the Transfer Certificate of Title the serial number of the CAR issued by the BIR. Rev Memo Circ 2-2007 disseminated this decision throughout BIR. However, there is still no regular reconciliation of databases between the BIR (CAR) and the LRA's Registry of Deeds (TCT).	ONETTT will automate the computation of tax due based on declared information, taking into account the correct zonal valuation in the BIR's database, generate the applicable and tamper-proof tax form reflecting the correct amount of tax due, and generate a barcode Certificate of Authority to Register (CAR). The pilot testing of the ONET3 application was done in two pilot revenue district offices: RDO38 and RDO39, but national roll-out would have to wait until all zonal values have been in a form that the BIR ISG can upload in the internet.	ONETTT would address only 10% of the estimated Php 2 billion leakage in capital gains tax and documentary stamp tax collections on real properties. Discrepancy between TCTs and BIR tax clearances reduced below 50-60%.
Task 1.1.1.1b Implementing the ONETTT	A. On the conversion of real property zonal values from PDF/Excel format into ITS format: A.1. Computer application to automate the conversion of real property zonal values from PDF/Excel format into a format that the Bureau's ITS can read and upload. A.2. Training of users of the application in A.1 at the Bureau's headquarters in Quezon City on its use B. On the Streamlining with Appropriate Doable Automation of the Bureau's Business Process for Updating the Existing Schedule of Zonal Values of Real Properties: B.1. Streamlining and documentation of the Bureau's business process of updating the schedule of zonal values of real properties starting at the RDO level until their issuance by the Secretary of Finance. In the documentation of the streamlined process, indicate sub-processes of it that will be automated. B.2. Computer application developed based on the template to be filled-up by the Chairman, Sub-Technical Committee on Real Property Valuation following the format prescribed in Annex "A" as may be streamlined and approved by the BIR/AVD with the following capabilities. B.3. At the AVD, the computer application allows AVD: B.3.1. to edit and generate the final schedule of revised zonal value (as submitted by the RDOs, see B.2.7) following the format in Annex "B". B.3.2. to monitor the work of the RDOs in preparing their report	completed	- Issuance of a Revenue Memorandum Order amending RMO 15-2003 to institutionalize the new rules and regulations for the payment of the capital gains tax on real property and the adoption of the ONET3 application by all BIR-RDOs nationwide - Increase in BIR revenue collections from one-time transaction taxes in the sale of real properties by plugging the tax leakages.	As of August 15, the automated ONET3 system is ready for nationwide roll-out. The nationwide roll-out of the ONET3 system has been included in the list of the BIR tax reform administration initiatives giving assurance of necessary funding and management support. The Assessment Service which is a major player in the ONET3 process is now confident of adopting the automated system. A BIR task force has been formed for the nationwide roll-out of the ONET3 Application.	ONETTT would address only 10% of the estimated Php 2 billion leakage in capital gains tax and documentary stamp tax collections on real properties. Discrepancy between TCTs and BIR tax clearances reduced below 50-60%.
Task 1.1.1.2 Revenue effects and structuring of tax administration reform initiatives	(a) Analytical reports about the respective tax leakages and the underlying sources in the systems being used by the Bureau to collect tax. (b) Draft terms of reference of technical assistance projects needed to support priority tax administration reform initiatives. (c) Upon completion, a terminal report containing the above, documenting his participation, observation/s, other accomplishment/s, actions by the Commissioner to enable the improvements in tax administration systems, any impacts observed that may be attributed to the reforms, remaining problems and issues and recommendations for addressing the letter.	completed	BIR implements changes to plug the identified tax leakages, and implements tax administration reform, including: ONETTT, eSales and MROS, documentary stamp tax on mandatory third party liability insurance, common carrier tax collected from public land transport companies, cigarette taxes.	The pilot testing of the ONET3 application was done in two pilot revenue district offices: RDO38 and RDO39	Lower tax leakages and higher collections.
Task 1.1.1.4 Tax rulings aligned to improve tax collection	1. Drafts of the necessary issuances to rescind/amend tax rulings found to be legally inconsistent, 2. Manual of style and writing guide for tax rulings, 3. A report on the procedures for (a) the application, processing, issuance, and appeals, and (b) the file management, monitoring, and communication system for tax rulings at both the BIR National Office and Revenue Regions that can be streamlined and enhanced, and on how the tax rulings can be published in the BIR website, 4. Based on the study in Output 3, drafts of the necessary enabling issuances for the adoption and implementation of the streamlined tax ruling process, 5. Design of an automated system for the tax ruling process including defined requirements and specifications, and 6. A report on the training conducted for selected personnel of BIR on the manual of style and writing guide for tax rulings and the streamlined tax ruling process.	completed	Design and implementation of an automated tax ruling system including all the processes from the receipt of tax ruling requests to the release of the final rulings. DOF will revoke about 33 illegal tax rulings; as well as cause the modification or re-evaluation of hundreds of others.	On May 9, 2008, Atty. Charaldine Bandon of the BIR Legal Service informed EMERGE that the ATRS has been approved for funding under the E-Government (e-Gov) Fund. The e-Gov fund receives an annual budget of around 1 billion pesos from the Government Annual Appropriations Act to finance strategic information and communications technology projects of the government approved by the Commission on Information and Communication Technology. The Bids and Awards Committee of the BIR has finalized the Terms of Reference for the Procurement of the ATRS Software Solution. The TOR is now with Deputy Commissioner of the Legal Group for review and approval. The TOR and bid invitation are expected to be published by October.	Rulings more consistent with each other and with the tax code and increased efficiency in tax administration

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Task	Project Deliverables		Performance Milestones		GRP Success Indicators
	Description	Status	Description	Status	Description
Task 1.1.1.5a&b Improved administration systems of selected tax measures	1. A total of eight FGDs: (a) five planned FGDs focusing on the motor vehicle registration processes; and (b) three FGDs for the land transportation franchising	completed	Acceptance and implementation of the administrative reforms designed by the consultants	An LTO office order has been issued to implement the proposed processes for transaction time monitoring and reporting and classifying process issues based on frequency and urgency.	Increased tax revenues
Task 1.1.1.5c Insurance Commission Compulsory Third Party Liability (CTPL) Database	2. <u>Integrating Workshon</u> Designing and legally enabling a database and clearing system for compulsory insurance transactions as an initial step towards developing a capacity in the Insurance Commission to monitor and authenticate compulsory insurance transactions and increasing tax collection.	completed	Insurance Commission must commit funds for the design and operate an information sharing system for the Certified Third Party Liability (CTPL) insurance between the IC, LTO, BIR, and the LTRFB, and procure services.	Insurance Commissioner Evangeline Escobillo approved the databased design and the project's final report. Commissioner Escobillo subsequently commenced with the implementation phase. The Commissioner has contracted consultants for the development of the database and applications for the validation/clearing system out of its own budget. The development work had been completed. But Escobillo was replaced. Initiatives to institutionalize the interconnectivity among LTO, IC and BIR was momentarily suspended due to changes in the leadership in the agencies involved. Nonetheless, the Philippine Insurers and Reinsurers Association has adopted and made improvements on the system designed by EMERGE. The system was presented to and had received the approval of Secretary Gary Teves. However, there is a competing proposal being endorsed by Sec. Mendoza of DOTC and GSIS President Winston Garcia. The issue of which system to use has been elevated to the court, which has	Successful implementation of the matching system, allowing detection of fraudulent CTPL certificates. - P750 million in taxes on the P3 billion in annual premiums. - Estimates of tax leakages are P250 mn to P1 bn.
Task 1.1.1.6 Assessing Cigarette Tax Options	1. The SYSTEMS DIAGNOSTIC REPORT 2. The SYSTEMS SPECIFICATIONS Document 3. The BUSINESS MODEL Report 4. The LEGAL REPORT The technical assistance will have two major sets of outputs organized along the two parallel and related tracks of the project. The first set of output pertaining to the first track consists of: - Profile of the cigarette and tobacco industry, and an estimate of the potential tax revenue that could be collected from the industry; - Documentation of the processes in the production/importation, removal, distribution, and marketing of cigarettes and tobacco together with the process of assessment and payment of excise tax on these products, and a system risk analysis with regard to potential tax leakages. - Review of the statutory rates and administration of excise tax on cigarettes, particularly the system of establishing proof of payment in other countries that are similarly situated as the Philippines. Which system or facility is more widely used—fuse-on stamps or barcodes? Who shoulders the cost of the facility for establishing proof of payment—the government or the business establishment? - Recommendation on which system or facility is most cost-effective and fair to all players. Is it possible to have a mixed-system? The study shall include an assessment of the financial costs of the alternative facilities of establishing the proof of payment, and their vulnerabilities or risks to tax evasion and/or avoidance. - Documentation of the proposed new system of establishing proof of payment, which includes specification of systems requirement in terms of facility, manpower, technical know-how, and reporting requirements. The second set of outputs or deliverables under the second track will consist of: - Inventory and review all regulations and issuances pertaining to excise tax on cigarettes and tobacco, - Draft code of the harmonized regulations and issuances on the imposition of excise tax on cigarette and tobacco products, incorporating the system to be adopted for establishing proof of payment.	completed	Re-estimation of the tax leakages (P2.4 bn) Acceptance by the BIR and the DOF of the recommendations, as evidenced by memorandum orders.	The BIR management committee accepted and Secretary Margarito Teves agreed to use the study's finding and recommendation in preparing the terms of reference for contracting system integrators to set up the proposed system for establishing proof of cigarette excise tax payment. The platform could also be used to establish proof of payment of other excisable products. DOF/BIR are procuring for the services of a company to put up system for establishing proof of cigarette excise tax payment. They are reviewing 3 proposals from private systems integrators. Cost of vendor's services will be passed on to manufacturers.	Leakage in cigarette taxes reduced, and collections increased.

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Task	Project Deliverables		Performance Milestones		GRP Success Indicators
	Description	Status	Description	Status	Description
Task 1.1.1.7 Improving Tax Compliance and Verification Drive (TCVD)	<p>- three batches of reports consisting of analyses for the design of a more effective tax compliance and verification drive capability of the BIR:</p> <p>1) standardization of the tax mapping process for both manual and electronic mobile devices; 2) development of TCVD performance indicators; 3) declaration of TCVD Taxpayers' Rights and Violations Checklist; 4) Revised Penalty system; 5) redesign of TCVD forms; 6) creation of TCVD system design with web portal report; and 7) development of a prototype MROS application that can be run using portable devices.</p> <p>- Final report</p>	completed	<p>A signed RMO is required to implement the TCVD system; still being reviewed as of April 2007.</p>	<p>In June 2008, BIR ACIR Aspe informed EMERGE that the e-TCVD application has been implemented in Revenue District Office (RDO) 50 – Makati district.</p> <p>Nationwide eTCVD training of revenue officers was completed and the BIR purchased 650 additional units of blackberry for the eTCVD operation.</p> <p>Nationwide consultations on the draft RMO were conducted, and suggestions were consolidated and incorporated by the Taxpayers Services Program and Monitoring Division.</p> <p>The draft RMO is now with the office of DCIR Aspe for review and approval.</p>	<p>Leakage in cigarette taxes reduced, and collections increased.</p>
Task 1.1.1.8 BIR Accounting to International Financial Reporting Standards (IFRS)	<p>- review and perform audits on companies compliant with the International Financial Reporting Standards (IFRS);</p> <p>- tax audit manuals on IFRS; and</p> <p>- conduct of training on IFRS.</p>	completed	<p>About 120 from the BIR trained on the new Philippine Financial Reporting Standards (PFRS).</p> <p>BIR officials and staff with functional knowledge of the IFRS, and tax regulations of the BIR harmonized with the IFRS</p>	<p>Conducted training of a Core Instructor Group and about 120 revenue officers on the IFRS and its tax implications.</p> <p>A nationwide training of revenue officers on IFRS was planned but not yet carried out due to busy schedules.</p> <p>IFRS training modules were given to LTS revenue officers for self-study</p> <p>IFRS modules have also been used in preparing tax rulings and revenue circulars as the BIR aligns its procedures with IFRS</p>	<p>IFRS complied with and PFRS implemented in the Philippines.</p>
Task 1.1.2.1(a) Individual Performance Management System (PMS) at the BIR Installed	<p>1. Performance contracts signed at the Office level</p> <p>2. Performance management information system installed</p> <p>3. Performance evaluation process mapped out and implemented</p> <p>4. Performance rewards approach, framework applied.</p>	completed	<p>o PMS implemented at the Large Taxpayer Service</p> <p>o Framework for measuring LTS at the strategy and perspective levels adopted</p> <p>o Performance indices at the strategy and perspectives levels used</p> <p>o Evaluation tools at the strategy and perspectives levels used</p> <p>o Guidelines on measuring and evaluating strategy and perspective level performance indices issued</p> <p>o PMS operations memo based on LTS experience</p> <p>o PMIS system installed and used at the LTS</p> <p>o Rewards approach and framework applied at the Office level for the LTS and implemented</p> <p>o Target setting guidelines for the unassisted sites issued and implemented in these sites</p>	<p>BIR accepted and is implementing the individual performance management, rating and incentive allocation system (PMS), designed by EMERGE consultants for the LTS, starting in 2005. In June 2008, BIR has issued Revenue Memorandum Order (RMO) 15-2008 instituting the PMS and the monitoring and accomplishment reporting system. Also, the Planning and Policy Service of the BIR has come with additional performance measures to improve the PMS and is in the process of coming up with a system harmonizing the various performance indicator systems required by the DBM and CSC.</p>	<p>The level of performance of the BIR improved and sustained</p>
Task 1.1.2.1(b) Follow-on assistance for the implementation of the PMS	<ul style="list-style-type: none"> • Reformulation of the Office Scorecards that was previously developed • Issuance of additional guidelines (e.g. measure weights, reporting formats and deadlines) to implement RMO 15-2008 • Dry-run of the evaluation phase using actual data for 1st semester of CY2008 of selected RDOs • System fixes of the PMIS • Training of users (which include updating and reformulation of scorecards) 	completed	<p>Performance evaluation of concerned offices and officers as mandated by the Attrition Law is carried out.</p>	<p>The implementation of the PMS is hampered by the staff reassignment in the BIR, requiring orientation and training of the new staff who will implement the system.</p>	<p>The level of performance of the BIR improved and sustained</p>
Task 1.1.2.1(a) Strategic Planning Workshop for the BIR	<p>BIR Commissioner Bunag requested assistance in organizing this workshop to revisit and update the BIR strategic plan in November 2005.</p>	completed			

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Task	Project Deliverables		Performance Milestones		GRP Success Indicators
	Description	Status	Description	Status	Description
Task 1.1.2.2 BIR PMS for Regional Offices, Phase I & II	<ul style="list-style-type: none"> o Draft BIR Strategy Map and Performance Measures o Report showing proposed alignment of programs/measures of the BIR RDOs with the objectives in the Strategy Map o Draft Office Performance Contract Templates for Revenue District Office (RDO) o PMS Guidebook for RDOs o PMIS for RDOs (version 1.0) o Enhanced PMIS-LTS with rewards framework as approved by the BIR 	completed	<ul style="list-style-type: none"> o Approved Project Plan and Revenue Special Order for TWG members o Technical Working Group constituted for the PMS Regions Project with approved Terms of Reference o Approved Strategy Map and Performance Measures o Draft Guidebook adopted o Approved RDO performance contract templates o Initial design of PMIS for RDOs (version 1.0) approved o PMIS/LTS with rewards framework as approved by BIR 	<p>PMS was pilot-tested in 2004 in the BIR-LTS. With the passage of Attrition Act of 2005 (RAct 9335), providing for incentives and penalties to improve the revenue collection of BIR and BOC, PMS was to be extended to all BIR offices. To date, two PMS guidebooks—one for the Large Taxpayer Service and another for revenue regions and district offices, and all support groups, services and offices of the BIR-national office—have been prepared. Impasse developed when CSC initiated a PMS nearly after the EMERGE PMS work was completed. The Revenue Performance Evaluation Board (RPEB) headed by DOF would have to convene and act on the PMS design of the BIR. World Bank is presently undertaking a PMS for individual staff.</p>	Increase of internal tax collection sustained
Task 1.1.2.1(b) Individual Performance Management System at the BIR Installed BIR PAA IRR	<ul style="list-style-type: none"> o the draft implementing rules and regulations o A non-confidential report describing the tasks, activities undertaken by the EMERGE consultant team in pursuit of these tasks, the problems encountered, and the solutions taken to mitigate the adverse effects of these problems. 	completed	Implementing rules and regulations signed and issued	<p>Venir Cuyco drafted the IRRs for the Performance Attrition Act in July 2005, and started writing the PMS Guidebook. Sec. Teves submitted the IRRs to the Congressional oversight committee in August 2005, and they were signed by Sec. Bancodín on May 11, 2005 (???), although the BIR and BOC followed with their own rules much later.</p>	Increase of internal tax collection sustained
Task 1.1.2.3 PMS Goal Allocation for the BIR	<ul style="list-style-type: none"> o Baseline Report o Interim System Report and Proposed Goal Assignments for 2007 o Report on the Proposed Long-Term Goal Allocation System 	completed	<p>Issuance of the following indicative reform measures:</p> <ul style="list-style-type: none"> o Revenue Memorandum Order detailing how the 2007 tax collection goal will be apportioned down to the revenue district offices and attributable individual officers and staff. o Revenue Memorandum Order enhancing and institutionalizing the Bureau's tax collection goal allocation. o The goal allocation will be integrated into the Bureau's Performance Management System. o Individual officers and staff will be rewarded or penalized using the goal allocation system as authorized for under the R.A. 9335. 		A system of improving tax collection performance as called for by the R.A. 9335 or the Performance Attrition Act institutionalized
Task 1.2.1.1 Selected Agencies' Restructuring Plans Reviewed and Improved	This task, which DBM requested, aimed to undertake a review of EO 366 Restructuring or Rationalization Plans of selected government departments, agencies and corporations.	completed	President Arroyo approves the rationalization plans of agencies which include the deactivation or phaseout of irrelevant agencies or units under them.	As of June 2007, 81 agencies submitted their rationalization plans, of which 22 was approved by DBM. In Aug 2008, the number of approved plans rose to 28, improving its share from 20% in 2007 to 26% in 2008.	
Task 1.2.2.2 Performance Assessment Rating Tool of the OMB/USG Adapted	<ul style="list-style-type: none"> a. series of orientation sessions and lectures with officials and staff of DBM, other oversight agencies, selected line agencies, and Congress; b. focus group discussions, consultation meetings and interviews with stakeholders to assess the usefulness of PART in conjunction with other public expenditure management reform initiatives; c. integrative report of the assessment and recommendations on the adaptation and institutionalization of PART in the Philippines. 	completed	Enabling orders issued for the adoption of PART on the Philippine setting		Public expenditure management in the Philippines improved
Task 1.2.2.3 (a & b) Working Model to Predict Cash Inflows Installed at DBM	<ul style="list-style-type: none"> • A technical report that proposes a monthly forecasting model of revenue collections by major collection agencies of the national government. • A technical report that evaluates the experience of countries that have adopted a debt cap (or debt service cap) and provides an assessment of alternative forms/ formulae used in these countries. • A draft of provisions on the debt cap or debt service cap (if found desirable) that could be included in the Fiscal Responsibility Bill. 	completed	<ul style="list-style-type: none"> 1) Sections of the Fiscal Responsibility Bill (FRB) establishing debt caps for DBM adopted. 2) Model to predict cash inflows adopted by the DBM 	<p>USec Pascua first asked for assistance in obtaining a copy of the eViews software used to run the model, but later reconsidered the usefulness of the revenue forecasting model after receiving negative feedback from NEDA and DOF.</p>	Fiscal Management strengthened
Task 1.2.2.4 DBM Electronic Lump Sum Appropriation Management Program (eLAMP)	<ul style="list-style-type: none"> 1. Diagnostic report, which shall present a full documentation and analysis of the existing process of budget releases and expenditure tracking of lump-sum appropriations. 2. Systems improvement in the current process of budget releases and expenditure tracking of lump-sum appropriations 3. Database design and reporting system. 4. Application for the enhancement of the DBM website. 	completed	electronic Lump-sum Appropriation Management Program (eLAMP) designed by EMERGE adopted and implemented	<p>Presented e-LAMP to DBM Sec. Andaya on June 25. DBM accepted the e-LAMP application in June 2007. DBM BISS is migrating existing data on the current website into the new website designed under the e-LAMP project. Also, it has to test three modules of e-LAMP (highway, schoolbuilding, and IRA). According to DBM, the testing and migration would be completed in 2008.</p>	<ul style="list-style-type: none"> 1. Public expenditure management in the Philippines improved 2. Greater transparency and accountability in public sector expenditures established

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Task	Project Deliverables		Performance Milestones		GRP Success Indicators
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Task 1.2.3.1(a) Customized Agency Procurement Manuals and Generic Procurement Manuals Aligned	<ul style="list-style-type: none"> • Technical report on the points of disagreement between the draft Procurement Manuals and the Philippine Bidding Documents • Revised Guidelines on Establishing Procurement Systems and Organization (Volume 1) • Revised Procedures for the Procurement of Goods and Services (Volume 2) • Revised Procedures for the Procurement of Infrastructure Projects (Volume 3) • Revised Procedures for the Procurement of Consultancy Services (Volume 4) • PowerPoint presentation on revised Procurement Manuals 	completed	Consultant's evaluation report used by the Technical Support Office of the GPPB to correct the inconsistency or misalignment and to develop procurement case situations	EMERGE completed a matrix of inconsistent text in procurement manuals with that in bidding documents, and misaligned provisions in either the manuals or the bidding documents with the law. This document is now used by the Technical Support Office of the GPPB to correct the inconsistency or misalignment and to develop procurement case situations, highlighting the application of the law and its IRR, with World Bank support.	<ul style="list-style-type: none"> 1. Fiscal sustainability strengthened 2. Efficiency of public spending raised
Task 1.2.3.1 (b) Application of the Procurement Manuals and Procurement Training	<ul style="list-style-type: none"> o Training and presentation materials on the identified topics. o Completion Report of the conduct of the training. 	completed	A significant number of legal staff of the OGCC and GOCCs trained on government procurement reforms.	The training program on procurement reform for the Office of the Government Corporate Counsel was completed in October 2005. A total of 200 legal staff of the OGCC and GOCCs were trained on government procurement reforms. In December 2005, during the 75th anniversary celebration of the OGCC, Justice Agnes Devanadera cited EMERGE for this assistance with a plaque of appreciation.	<ul style="list-style-type: none"> 1. Fiscal sustainability strengthened 2. Efficiency of public spending raised
SAF D.1. Authorized Agent Banks (AABs) Service Reform	<ul style="list-style-type: none"> Revised excel-based application following the specification made in the scope of work; Training of relevant BIR and BTr staff Presentation of the proposed changes to the Bankers Association of the Philippines and AABs 	completed	<ul style="list-style-type: none"> Service fee structure of AABs rationalized Taxpayer services improved and taxpayer compliance enhanced Increased tax collection as tax payment receiving facilities of AABs are improved 	<ul style="list-style-type: none"> BIR issued in February 2008 Revenue Regulations No. 2-2008 prescribing the rules and regulations on the collection and remittance of taxes paid to AABs Revenue Memorandum Order No. 11-2008 in March 2008, providing for a new set of criteria in the accreditation of AABs, and the mechanism in monitoring and evaluating the performance of AABs. 	
Task 2.1.2.1 Customs Audit Performance and Capability Assessment, phase I	Assess the performance and capability of the BOC Post Entry Audit Group	completed	Recommendations to improve capability/performance of the BOC adopted	BOC Commissioner George Jereos adopted the recommendations in January 2005 but left it to his predecessor Commissioner Lina to implement the recommendations after his retirement. Lina likewise resigned after a few months in office. It was only his successor current Commissioner Morales who implemented the recommendations. See Task 2.1.2.1 Phase 2 below.	
Task 2.1.2.2 Customs Risk Management System Improved	This purchase order has three modules, namely the Liquidation and Billing Division Capability Enhancement, Risk Management Group and the Post Entry Audit Institutionalization.	Modules 1 and 2 completed	<ul style="list-style-type: none"> - 3 modules adopted by the BOC - enabling orders signed and issued to implement the three modules of Customs Risk Management System 	<ul style="list-style-type: none"> Prepared a Customs Memorandum Order (CMO) to create a Committee on Revenue Enhancement (CORE); however Arevalo opposes creation -- 4th tranche has been cancelled. TOR revised to focus on post-entry audit, SGL, and billing & liquidations, and the EU team will address import processing, valuation, and selectivity when they begin in December. 	<ul style="list-style-type: none"> - Customs modernized - Trade facilitation improved - International trade increased
				The EMERGE consultant team conducted a diagnostic study on liquidation and billing and made an assessment of BOC capability to undertake risk management. Former Acting Commissioner Arevalo asked to defer implementation of the fourth tranche of this PO to the incoming Customs Commissioner Morales.	

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Task	Project Deliverables		Performance Milestones		GRP Success Indicators
	Description	Status	Description	Status	Description
Task 2.1.2.3 Agree to Accede to the Revised Kyoto Convention	1. A report on the applicability analysis 2. A report on the situational analysis 3. A report on the gap analysis	completed	- Instrument of Accession to RKC signed and endorsed by the President to the Senate for concurrence.	The National Competitiveness Summit adopted the recommendation of the RKC study for Congress to work on the immediate accession of the country to the RKC. The Summit, which was held October 6, 2006, was attended by President Gloria Macapagal-Arroyo, and a National Competitiveness Council was created to monitor the implementation of the action plan it adopted. Private sector also endorsed the accession and compliance to the Revised Kyoto Convention (RKC) to President Arroyo and BOC Commissioner Morales adopted of the National Strategy for the Philippine accession on February 5, 2007. President Arroyo signed and endorsed to the Senate the Instrument of Accession to the RKC on February 1, 2008.	- Customs modernized - Trade facilitation improved - International trade increased
Task 2.1.2.3b Manual of Customs Procedures Compliant with RKC	- Book of Customs Regulations compliant with the RKC - Draft enabling orders for the issuance of the Book - Technical report which includes legislative agenda and next steps toward full compliance to the RKC	completed	- Book of Customs Regulations compliant with the RKC accepted and adopted by the BOC - Enabling orders signed and issued for the issuance of the Book of Customs Regulations		- Customs modernized - Trade facilitation improved - International trade increased
Task 2.1.2.3c Manual of Customs Procedures Compliant with RKC Harmonized with the draft Customs Modernization Act	At BOC's request, EMERGE worked to harmonize and secure coherence of the draft customs regulations with the draft bill on the Customs and Tariff Modernization Act. Each document was prepared separately by two USAID projects, EMERGE and MCA-PTP.	completed	BOC issues a CAO on the RKC compliant customs regulations and the draft CTMA bill is filed in Congress.		
Task 2.1.2.4a PMS Workshop for the BOC	1. Two two-day orientation/workshops on the PMS as described above. 2. Technical assistance activity completion report.	completed	- BOC's PMS formulated - BOC's plan to adequately and effectively implement the Lateral Attrition law submitted to the Revenue Performance Evaluation Board	Achieved	- Customs modernized - Trade facilitation improved - International trade increased
Task 2.1.2.4b Post-Entry Audit Group for the BOC, Phase II	1. Customs pre-audit manual. 2. Customs audit manual. 3. A training plan for PEAG personnel on the audit procedures documented in the manuals. 4. A management information plan on customs audits. 5. Draft enabling customs orders for the improved business procedures of PEAG. 6. An inventory of customs rulings on audit-related issues. 7. Weekly and monthly activity reports. 8. End of project report for this Task.	completed	- Issuance of any of the following: (a) Customs Administrative Order(s) (CAO) enabling improved guidance to importers on how to comply with record keeping and custom audit procedures (b) Customs Memorandum Order(s) (CMO) enabling enhanced guidelines to PEAG and other staff of the Bureau in undertaking PEAG business procedure. (c) Customs Special Order(s) (CSOs), enabling any refinement of the staffing of the PEAG as may be identified by the Officer in Charge of the PEAG. (d) Customs rulings to address specific importer queries regarding record keeping and post-entry audits. - PEAG staff enhanced its competence in undertaking risk management, risk profiling, selection of auditees, preparation of the audit plan, execution of audits, and preparation of audit reports in accordance with international best practices. - Better coordination between the PEAG and other units of the Bureau in undertaking its audit function.	1) The consultant team, together with its BOC counterpart, drafted the rules and regulations governing the Voluntary Disclosure Program. The policy document, embodied in Customs Administrative Order No. 5-2007 was approved and issued by the Department of Finance (DOF) on May 29, 2007. 2) The composite team also drafted the implementing regulations for the Program. The initial draft was presented in a workshop attended by the PEAG staff and Deputy Collectors for Assessment of the three metro ports: Port of Manila (POM), Manila International Container Port (MICP) and the Ninoy Aquino International Airport (NAIA). The amended draft, based on the inputs of the workshop participants, was submitted to the Commissioner, signed and issued as Customs Memorandum Order No. 18-2007 on July 6, 2007.	PEAG revenues increased, up from 0.12% of BOC revenues approaching 1% of overall BOC revenues (Status: After implementing the recommendations in 2007, revenues collected by PEAG increased from a 3-year cumulative level of less than P100 million (2004 to 2006) to nearly a billion pesos in 2007. In 2008, PEAG collection may reach P1.2 billion.)

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	Description	Status	Description	Status	Description
Task 2.1.2.4c Developing a PMS at the BOC	<p>- Technical report containing inputs that may be used by the BOC counterpart in the drafting of Customs Order(s) summarizing guidelines on goal allocation, rewards framework, discussions on attrition and process of conducting performance evaluation/non-financial target setting based on pilot site results.</p> <p>- Validated Office evaluation Scorecards of the Operations and Support groups of the Port of Manila.</p> <p>- Validated Measures dictionary</p> <p>- Office PMS process Map</p>	completed	Enabling order signed and issued to implement the lateral attrition law (RA 9335)	Atty Analea Uy prepared draft CMO on rewards and attrition in March 2007. BOC's 15 district collectors refused twice to sign "Collection District Performance Contracts"; the matter will be discussed by the Revenue Performance Evaluation Board.	BOC collected revenues increased
Task 2.1.3.1a SPS Regulations Streamlined	<p>1. A report on the study on SPS regulations in terms of their importance in trade.</p> <p>2. A report documenting the current systems of SPS administration in four key SPS regulating agencies</p> <p>3. A report containing the results of the analyses aimed at evaluating the appropriateness of the above SPS administration systems.</p> <p>4. An assessment of the openness and readiness of the current SPS institutional environment for reforms and a change management plan.</p> <p>5. Recommendations on the basis of the above-mentioned processes.</p>	completed	<p>- DA adopted EMERGE consultants recommendations</p> <p>- Enabling orders signed and issued by DA to harmonize, streamline and modernize the way the Department carries out its SPS regulatory functions.</p>	<p>The team drafted a special order signed by the Secretary to create an SPS Task Force which held its first meeting on 9/14/05.</p> <p>DA adopted one of the recommendations by the diagnostic study team—to reorganize the SPS administration under two agencies—in its rationalization plan pursuant to EO 366. One agency will be for standards setting and the other for enforcing regulations.</p>	<p>- Trade facilitation improved</p> <p>- International Trade increased</p>
Task 2.1.3.1b SPS Regulations Streamlined, Phase II	<p>1. SPS policy framework</p> <p>2. System architecture of border processes</p> <p>3. Interim organizing arrangements</p> <p>4. Streamlined business procedures</p> <p>5. Operating manuals for the SPS business processes</p>	completed	<p>- DA adopted EMERGE consultants recommendations</p> <p>- Enabling orders signed and issued by DA to harmonize, streamline and modernize the way the Department carries out its SPS regulatory functions.</p>	On September 8, 2008, Secretary Yap signed DA Memorandum Order No. 15-2008, adopting the harmonized import clearance and inspection processes.	<p>- Trade facilitation improved</p> <p>- International Trade increased</p>
Task 2.1.3.1c National Single Window DA-BOC	<p>1. Two two-day orientation/workshops on the PMS as described above.</p> <p>2. Technical assistance activity completion report.</p> <p>3. Draft National Single Window Work Plan.</p> <p>4. Presentations on the NSW and the Work Plan to the Steering Committee.</p>	completed	BOC Plan to Establish its National Single Window and meet its obligations under Article 5 of the ASEAN Single Window Agreement formulated	On December 19, Finance Secretary Margarito Teves and Agriculture Secretary Arthur Yap signed their Memorandum of Understanding to create a technical working group to design and conduct a pilot implementation of the national single window for the cargo clearance of regulated imported agricultural products.	<p>- Customs modernized</p> <p>- Trade facilitation improved</p> <p>- International trade increased</p>
Task 2.1.3.1d National Single Window Implementation	<p>Develop a plan for IT connectivity between BOC and the regulatory agencies under DA or DTI;</p> <p>Assessment of the respective BOC, DA and DTI regulatory framework, rules and regulations, and existing practices in supervising and regulating cross-border trade;</p> <p>Design of NSW will include set of data and information covered; joint inspection rules; decision making at each step of the cargo clearance process; monitoring system; reconciliation of discrepancies of data/reports; sanctions; and other issues;</p> <p>Drafting of administrative issuances, MOAs, and other agreements and decisions necessary to legally enable the reforms needed for operationalizing the NSW between BOC and the DA and DTI.</p>	completed	<p>- Administrative issuances, MOAs, and other agreements and decisions necessary to legally enable the reforms needed for operationalizing the NSW between BOC and the DA and DTI signed and issued.</p> <p>- NSW operational in at least two nodes: DA and DTI</p>	On October 7, 2008, customs officials successfully demonstrated to President Arroyo and her Cabinet the upgraded automated customs operating system called e2M, which includes the National Single Window.	<p>- Customs modernized</p> <p>- Trade facilitation improved</p> <p>- International trade increased</p>

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Task	Project Deliverables		Performance Milestones		GRP Success Indicators
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Task 2.1.4.1 a&b Standards and Conformance Portal (Phase I&II)	1. Work plan and timetable for the implementation of Component 1- Specification of the Functional and Systems Design of the Standards and Conformance (S&C) Portal of the TA program 2. Current system appraisal report – a report on the assessment of current procedures and practices of standards and conformance-related services provided by the BPS 3. Specification of the functional and system design of the S&C portal 4. List of training modules 5. Selection criteria for evaluating firms/companies	completed	S&C Portal by the adopted by the BPS and the business community.	The S&C portal was launched on 28 June 2007 during the 2nd quarter General Membership Meeting of PhilExport. Launch was led by DTI Secretary Favila, USAID Acting Mission Director Daniel Moore, PhilExport President Sergio Ortiz-Luis Jr., and PCCI President Mr. Donald Dee. There was a live demo on the functionalities of the portal. A kiosk was set up at the registration area. Many of the participants tried using the portal and expressed excitement and satisfaction.	- Compliance with technical regulations and standards increased - Cost of compliance reduced.
	1. S&C portal 2. (Signed) Memorandum of Agreement among the members of the National TBT Coordinating Committee 3. Directory of Members of the National TBT Coordinating Committee 4. General Procedures for the National TBT Coordinating Committee 5. Directory of TBT Network of Commentators 6. Project Terminal Report			As of 9 September 2008: S&C portal registered 5,384,138 hits and 112,433 visits. The number of hits refers to the times S&C portal components were visited. On the other hand, the number of visits refers to the times registered users of the portal visited the site. number of registered portal users – 1,056. number of inquiries sent to BPS via the Contact US Web Form of the portal – 309 number of inquiries posted via the Help Desk System of the portal – 33 TBT: 1,162 entries created and entered into the system; 119 subscribers to the TBT alerts; 860 alerts sent to subscribers; PNS: 109 entries created & entered into the system; 193 subscribers to the PNS alerts; 189 alerts sent to subscribers.	
Task 2.1.5.1 Philippine Global Trade e-Learning Program (PGTEP)	1. A report on the implementation of the WTO e-Learning Literacy Program – the report should include the following: a. Brief description of each of the on-line courses b. Design of face-to-face workshops, specifying the activities and exercises undertaken c. Presentation materials of instructors/resource persons in the face-to-face workshops d. List of instructors/resource persons, including their CVs e. List of the e-learners, including their affiliations, addresses and contact details. f. Report on the number and duration of log-ins of individual participants. 2. Development plan to institutionalize PGTEP	completed	-A significant number of government and private sector officials and personnel trained on international trade and negotiations.	330 participants completed the program. Participants came from the government sector, NGOs, academe, private organizations, and trade and labor groups.	Capacity of the Philippine government and the business community to participate in international trade discussions and negotiations, and to develop positions on trade- and investment-related issues strengthened
				DTI is considering designing a phase 2 of PGTEP, to use similar modules as in Phase 1, and not necessarily funded by USAID.	
Task 2.1.5.1b Second Phase of Philippine Global Trade e-Learning Program (PGTEP II)	1. A report on the implementation of the WTO e-Learning Literacy Program – the report should include the following: a. Brief description of each of the on-line courses b. Design of face-to-face workshops, specifying the activities and exercises undertaken c. Presentation materials of instructors/resource persons in the face-to-face workshops d. List of instructors/resource persons, including their CVs e. List of the 400 e-learners, including their affiliations, addresses and contact details. f. Report on the number and duration of log-ins of individual participants. 2. Evaluation report of the PGTEP 3. Development plan to institutionalize PGTEP	completed	-A significant number of government and private sector officials and personnel trained on international trade and negotiations.	On September 9, PGTEP Program Director Atty. Virgilio de los Reyes and EMERGE Team Leader Dr. Myrna Austria formally handed over to DTI the PGTEP courseware. DTI thru the Philippine Trade Training Center (PTTC) will institutionalize the implementation of the PGTEP via online for stakeholders in the government, private sector, and civil society.	Capacity of the Philippine government and the business community to participate in international trade discussions and negotiations, and to develop positions on trade- and investment-related issues strengthened

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Task	Project Deliverables		Performance Milestones		GRP Success Indicators
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Task 2.1.5.2. Industry Trade Advisory Council (ITAC) Established	1. Orientation materials on ITAC 2. Report on the assessment of Philippine experience on stakeholder consultations 3. Report on the assessment of an appropriate adaptation of ITAC in the Philippines	completed	EMERGE recommendations accepted and adopted by DTI and the TRM	A report on the recommendations for the establishment of a Philippine ITAC system was presented to the DTI Executive Committee.	Capacity of the Philippine government and the business community to participate in international trade discussions and negotiations, and to develop positions on trade- and investment-related issues strengthened
Task 2.2.1.1 Field Testing Protocols for Transgenic Crops and Principles Underlying the Regulation of GMO-Containing Processed Foods Developed	1. Draft BFAD guidelines on GM-derived processed foods, particularly on GM food labeling 2. Policy advice to the Department of Agriculture towards a harmonized policy framework on biosafety, ERA and EIA between the DA and DENR 3. Draft protocol on field testing	completed	Guidelines on labeling of GMO-containing processed food approved by the DOH as an Administrative Order	With EMERGE TA, BFAD drafted guidelines on the labeling of GMO-containing processed food that have been endorsed for the approval of the Executive Committee of the Department of Health (DOH). The draft guidelines are now with the division chief in charge of policy at the (DOH). While there are no pending issues on the technical substance of the guidelines, the division chief wanted further consultations on them. Once approved by DOH, the guidelines will lay down the commercialization and labeling guidelines for processed food derived from biotechnology.	Sustained increase in investments and sales in processed food and other products using GM derived plant products are sustained/increased and in modern biotechnology.
Task 2.2.1.2 Improved Insect Resistance Management (IRM) Strategy Adopted and Key Gaps Addressed	1. Draft DA protocols on IRM monitoring and reporting to be submitted on the 3rd month of the Purchase Order 2. Draft DA protocols on field testing, and BFAD guidelines on standards for substantial equivalence to be submitted on the 6th month of the Purchase Order 3. Draft BFAD guidelines on standards identity preservation system, and draft BFAD protocols for monitoring and evaluation of GM food labels, including that for export certification to be submitted on the 9th month of the Purchase Order 4. Technical report for the DA on the IRM modalities pilot tested for Bt crops in the country to be submitted on the 12th month of the Purchase Order	completed	1. DA protocols on IRM monitoring and reporting issued 2. DA protocols on field testing issued 3. BFAD guidelines on standards for substantial equivalence issued 4. BFAD guidelines on standards identity preservation system, 5. BFAD protocols for monitoring and evaluation of GM food labels, including that for export certification issued	1. All the issuances by the DA had been issued 2. While the technical work was completed in mid-2006, EMERGE has been monitoring the action taken by BFAD on the rules and regulations on identity preservation. Officially, the BFAD has been reviewing these rules. It has decided to wait for the issuance by the Health Secretary of the proposed administrative order on the labeling of processed foods containing GMOs before issuing these protocols on identity preservation.	Sustained increase in investments and sales in processed food and other products using GM derived plant products are sustained/increased and in modern biotechnology.
Task 2.2.1.3 a&b Filipinos properly informed and educated about biotech	At the end of the engagement period, the BCP should have conducted the following number of activities: National IEC Training /WS for biotech core teams and STRP, 2 RTD/FGD/Public Seminars, 12 Consultative meetings & training on protocols Harmonization and biosafety, 12 Regional IEC/Capacity Building IRM and field testing, 3 Biosafety for MAO, MHO, LGU, 6 Seminar/WS for academe/media, 3 Other IEC activities Farmer study tour program, 25 Other deliverables are in the form of reports.	completed	-- DA and BFAD conduct sustained training program on modern biotechnology -- Presidential Proclamation declaring a "National Biotech Week" issued	Performance milestones achieved, among which was the signing on June 16, 2005, by President Arroyo of Presidential Proclamation No. 861, declaring the first week of July 2005 as "National Biotech Week," the celebration of which was spearheaded by the DA; the DA has yet to mobilize its own resources to conduct further training on modern biotechnology	
Task 2.2.1.4a Capacity building for public research institutions to comply with biosafety regulations for transgenic crops--Delayed ripening papaya	In general, develop new product, develop regulatory file, and disseminate project information to the public. Specifically: 1. Accomplished regulatory requirements 2. Outstanding field-tested selected transgenic papaya lines with excellent horticultural traits including delayed ripening trait and genetic stability 3. Needed information on the biosafety of the transgenic papaya plants to the environment 4. Needed information on the molecular characterization of outstanding transgenic lines 5. Needed information on the biochemical, nutritional and food/feed safety of selected transgenic lines 6. Market analysis of the transgenic papaya with delayed ripening trait 7. Properly disseminated information to the public regarding the project	completed	The grant for the delayed ripening of papaya covers the field testing of transgenic papaya with delayed ripening trait toward commercialization.	The permit for field testing the transgenic papaya was issued by BPI on March 20, 2007. On 26 March 2007, the seedlings of the transgenic and control lines were brought to & transplanted in the field trial site under the supervision of the representatives from DA-BPI and the UPLB Biosafety Committee. The papaya with delayed ripening trait is the first transgenic crop developed by Filipino scientists using modern biotechnology that was granted a biosafety permit to open field test in the Philippines by the DA BPI.	Investment in biotech, specifically, in AO8-compliant technologies

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Task	Project Deliverables		Performance Milestones		GRP Success Indicators
	Description	Status	Description	Status	Description
Task 2.2.1.4b Capacity building for public research institutions to comply with biosafety regulations for transgenic crops—Ring-Spot-Virus-Resistant Papaya	Develop new product, develop regulatory file, and disseminate project information to the public. 1. Technical progress reports (Nov 15, 2006, Feb 15, 2007 and May 15, 2007) 2. Terminal Report (June 30, 2007) 3. Financial Reports (Mid-term and Terminal)	completed	The completion of the activities under the grant will enable the proponents to complete half of the data requirements for NCBP application.	The National Committee on Biosafety for the Philippines (NCBP) approved on January 3, 2007, the conduct of confined trials of the papaya-ring-spot-virus (PRSV) resistant papaya. On 29 June 2007, the UPLB-IPB approved and endorsed to the NCBP the application for a 2nd confined trial (event selection and performance evaluation) at the IPB-UPLB Experimental Farm in Paciano, Rizal. The Memorandum of Understanding (MOU) with the multilocation partners has yet to be signed. Monograph on country-specific information was yet to be completed because the survey and collection in other papaya growing provinces in the country was still on-going as of Aug 2007.	Investment in biotech, specifically, in AO8-compliant technologies
Task 2.2.1.4c Capacity building for public research institutions to comply with biosafety regulations for transgenic crops—Fruit and Shoot Borer Resistant Eggplant	Develop new product, develop regulatory file, and disseminate project information to the public. 1. Technical progress reports (Dec 31, 2006, Mar 31, 2007) 2. Terminal Report (June 30, 2007) 3. Financial Reports (Mid-term and Terminal)	completed	The EMERGE grant covered activities that enabled the proponents to complete the regulatory requirements of the NCBP before the eggplant could be tested in multilocations. Expected Performance Milestones: • NCBP approval for confined trial in IPB-UPLB Experimental Farm. On June 29, 2007, the UPLB-IBC approved and endorsed to the NCBP the application for a confined trial (event selection and performance evaluation) at the IPB-UPLB Experimental Farm in Paciano Rizal. • Accreditation of the Entomology lab as a P2 facility. In consultation with the UPLB-IBC the design of the renovation of a section of the Entomology Laboratory was finalized. Renovation was undertaken and upon inspection, the facility would be awaiting accreditation by the NCBP.	UPLB-IBC endorsed completion report of the first contained trial. The completion report was submitted to the UPLB-IBC which approved it for endorsement to the NCBP on June 21, 2007. A certificate of completion was expected to be issued on July 2007.	Investment in biotech, specifically, in AO8-compliant technologies
Task 2.2.1.5 Developing the policy, regulatory and institutional capacity of DA and BFAD on biopharming	1. Workplan, progress reports on draft DA protocols on risk assessment for the commercialization of GM plants and plant products; 2. Final draft of the biotech industry survey questionnaire (the survey instrument) 3. Policy brief on the implementation of the NBF, particularly on the scope of the EIA when undertaking activities to develop products of modern biotechnology, 4. Draft DA guidelines on the reapplication of GM plants and plant products, 5. Draft DA guidelines on the delisting of GM plants and plant products, 6. Draft DA-BFAD guidelines on the regulation of GM pharmaceutical crops, a final integrative report of all activities undertaken	completed	1. DA protocols on risk assessment for the commercialization of GM plants and plant products; 2. Government acceptance of the recommendations on the appropriate implementation of the National Biosafety Framework (NBF), supportive of the safe and responsible use of modern biotechnology 4. DA guidelines on the reapplication of GM plants and plant products issued 5. DA guidelines on the delisting of GM plants and plant products issued 6. DA-BFAD guidelines on the regulation of GM pharmaceutical crops issued	DA accepted and adopted recommendations formulated by the grantee; draft guidelines signed and issued. On April 2 DA Secretary Arthur Yap issued Memorandum Circular (MC) No. 2, Series of 2007, adopting guidelines for the renewal of permits for regulated transgenic plants for propagation. Technology developers have a five year propagation permit. This new circular, which implements DA Administrative Order No. 8, lays down the protocol for getting these permits renewed for another five years. A plan for how to de-list transgenic plants, currently allowed to be propagated for commercialization purposes, is under study by the Department. No action yet on the draft guidelines on biopharming	Increased investments in biotechnology.
Task 2.2.2.1 Improving the Investment Climate (coconut industries)	1. Diagnostic study for the following groups of coconut-based industries: Industry Group 1 – Virgin coconut oil, protein isolate, skim milk, flour, feed concentrate, coconut water Industry Group 2 – Cochin oil, bio-diesel Industry Group 3 - Activated carbon, shell charcoal Industry Group 4 – Coir and coir products, geotextile, coco peat 2. Two consultative dialogues.	completed	DTI accepted and adopted recommendations formulated by EMERGE consultants; enabling orders signed and issued to implement the recommendations.	Report was presented to DTI USec Aquino on December 6. He said he will follow up via the DTI-led national clusters program, which looks into investment coordination opportunities in key industries that the government is promoting. Increasing interest of the business sector emerged in investing in the coconut industry. An example of this is the integrated coconut processing plant in Oroquieta City in Mindanao which received a Php 6 million grant from AusAid. The project follows a 50,000 nuts-a-day business model and requires 2,000 hectares of coconut farm. The model is much larger in scale than the 5,000 nuts-a-day model recommended by the EMERGE consultants.	- Investment climate improved - Ratio of investment to GDP increased from 16.4 percent in 2003 to 28 percent

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Task 2.2.2.3 Investment Climate Improvement Project (ICIP) Phase I - IV	<ul style="list-style-type: none"> - Materials developed such as position papers, letters and press releases on short and medium-term actions AmCham would request the Philippine government to implement. - Position papers and/or correspondence with GRP on selected concerns. - Comments on the draft IRRs, as they become available, of selected laws. - Minutes/Documentation of focus group discussion for WB/IFC/FIAS consultants advising GRP re fiscal incentives reform - Minutes/documentation of the ICIP activities: - Survey instrument for the Consumer Satisfaction Survey - Study on Comparative FDI Flows, Investment Incentives, Business Costs and Competitiveness Ratings of the Philippines and Regional Economies - Corporate survey - Final report 	completed	See reports for various milestones that the grantee is advocating for.	See reports for milestones achieved.	Investment climate improved
2.2.2.4. (a & b) Intellectual Property Strategically Managed and Commercialized	<ol style="list-style-type: none"> 1. Proceedings of the conference and the training including the materials and outputs of the activities. 2. Submission of the terminal report to IP Philippines. 3. List of participants with contact details. 	completed	<p>Memorandum Circular issued by CHED directing universities to develop their own IP Policies</p> <p>Enabling orders issued by IP Philippines, DOST and CHED on the establishment of TLOs or similar IP units and linkages of HEIs and RDIs with SMEs and financial institutions for commercialization of IP assets.</p>	<p>Apart from successfully promoting awareness on major issues in IP commercialization, the event also paved the way for the presentation and discussion of two major reform initiatives, namely:</p> <ul style="list-style-type: none"> - CHED Circular which mandates HEIs to formulate their own IP Policies; and - Manifesto from participants addressed to the Senate, House and the President certifying the Technology Transfer Bill as urgent. 	<p>HEIs and RDIs developed their respective IP Policies and set up their respective Technology Licensing Offices (TLOs) or similar IP units, which will eventually result in their enhanced capacity for IP management and commercialization.</p> <p>Established linkage among players in the IP sector leading to commercialization of IP assets.</p> <p>Increased investments and employment and economic development in the region brought about by the improved realization of IP asset potentials.</p>
Task 2.2.2.6 Financial Transparency in Mining	<ul style="list-style-type: none"> o EITI financial reporting templates for Philippine mining companies and LGUs in mining areas designed and tested. o Manual for EITI financial reporting templates of mining companies and LGUs o Meetings on the proposed simulated EITI financial reporting and audit in areas where the volunteer mining companies and LGUs operate. o Simulated EITI financial audit report. o Recommendations to the mining companies and LGUs for improving conformance to their respective obligations of mining companies and LGUs. o Recommendations for institutionalization of EITI in the Philippines. o Final project report. 	completed	EITI practices implemented and institutionalized in the Philippines	<p>DFA Undersecretary Edsel Custodio and DENR Assistant Secretary and Executive Director of the Mining Development Council (MDC) Jeremias Dolino endorsed the Extractive Industries Transparency Initiative (EITI) during the presentation of the EMERGE team on 10 July 2007 of their findings on the EITI simulation exercise conducted for Philex Mines in Benguet and Rio Tuba Nickel Mines, Inc. in Bataraza, Palawan. Usec Custodio committed to (i) ask the Philippine Embassy in Oslo to get in touch with the EITI Secretariat informing the latter of the Philippine government's interest in EITI; and (ii) write DENR Secretary and MDC Chairman Angelo Reyes to get the endorsement of the MDC on EITI.</p> <p>On the other hand, Asec Dolino committed to include EITI in the agenda of the MDC's next meeting. On July 24, 2007, the Minerals Development Council created an ad hoc Task Force on EITI, with DFA in the person of Undersecretary Edsel Custodio, as the Chair of the EITI Task Force. Ambassador Calonga sought EMERGE assistance on the economic benefit of acceding to EITI, saying the Philippine government is considering asking the EITI secretariat for further assistance towards accession. EMERGE has a draft document to be submitted to Amb. Calonga.</p>	Investment in mining increased

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Task 2.2.3.1a Strategic Development Initiatives	<ul style="list-style-type: none"> o An assessment report on the Strategic Development Initiatives identified o Presentations as needed o Weekly reports and monthly summaries of progress to Secretary Neri and the EMERGE Technical Director describing the activities to date, highlighting accomplishments and any problems encountered and explaining how the latter have been or are being addressed. o Final report and presentation about: <ul style="list-style-type: none"> - Strategic Assessment - Lessons Learned - Remaining Tasks 	completed	NEDA accepted and adopted the consultant's recommendations in the attainment of MTPDP.	NEDA Infrastructure Committee endorsed EMERGE recommendation to reconsider current BOT law; Based on EMERGE recommendation to strengthen middle management of the government, NEDA requested JICA to fund a related project; and supported NEDA Secretary to revive the mining industry.	<ul style="list-style-type: none"> Investment climate improved Economic growth enhanced Poverty alleviated, especially in Mindanao
Task 2.2.3.1b Strategic Development Initiatives (Property Rights)	<ul style="list-style-type: none"> (a) Report containing the data, information and analyses undertaken to accomplish step 1 of the scope of work. (b) If asked to proceed, design of the system that allows the use of tax declarations to secure bank lending, and (c) A plan that outlines the measures that need to be enabled, draft enabling measures, and programs that need to be launched/acted upon to make the system operational. 	completed	NEDA accepted and adopted the consultant's recommendations in improving access to financing in the regions	EMERGE consultant developed information and recommendations that were later used by the NEDA Secretary a) to strategize how property rights can be used as a tool for upland communities to access credit for enterprise development and	<ul style="list-style-type: none"> Investment climate improved Economic growth enhanced, especially in the regions.
				b) in Monetary Board discussions on how to use local tax returns to facilitate access to credit.	Jobs created, especially in the regions
Task 3.1.1.1 The nautical highway developed and access to it institutionalized	<ul style="list-style-type: none"> o Improved RORO bill o A draft Executive Order for the conversion of private non-commercial ports into commercial ports under the RRTS o A draft PPA Administrative Order re guidelines on the development, construction, and operation of private ports under RRTS o Action plan for affected port workers 	completed	Draft bill that would institutionalize the reform objectives of the EO 170 (Jan 2003) signed by the President on September 19, 2005 improved and filed; a draft EO for the conversion of private non-commercial ports into commercial ports under the RRTS (EO 170B) signed and issued; and reviewed and revised PPA AO re Guidelines on the development, construction and operation of private ports under the RRTS signed and issued.	<p>EO allowing private port operators to operate on a commercial basis was approved by Cabinet and signed by the President on 9/21/05. The chassis provision (Cha-Ro) to handle container trucks will be included in the draft RORO bill, to be sponsored by Chairman of the RoRo Committee.</p> <p>The Ports Team also provided inputs on the RORO portion of the President's State of the Nation Address (SONA), which were accepted and included in that address. The EMERGE Ports Team also provided comments to NEDA Director General Neri and to the Transportation Committee of the Philippine Chamber of Commerce and Industry (PCCI) on the draft TOR for the privatization-modernization of North Harbor.</p>	<ul style="list-style-type: none"> - Costs of inter-island shipping reduced - Investment increased in the regions
Task 3.1.1.3 Inter-modal Road-RoRo Terminal System (RRTS) Project	<ul style="list-style-type: none"> 1. Investment Folio : printed copies and CD copies - Assessment of Feasibility/Viability of RRTS connection including Total Investment Cost for two (2) RRTS terminals and one (1) ferry service; - Project packaging/advisory services to promote LGU and/or private sector ventures to include public bidding of projects 2. RRTS forum - Recommended policy reforms: Amendments to IRR of E.O. 170 and other relevant laws/regulations. 	completed	Formulated investment portfolios accepted and adopted by DBP, and distributed to the private sector.	DBP distributed the investment portfolio developed by EMERGE consultants at the regional investor forums held in Pilar, Sorsogon and in Cebu in late February and early March. Two investors expressed interest in the Pilar-Aroroy part of the highway. One of the two, an RRTS vessel operator, started construction of the Pilar RRTS terminal.	<ul style="list-style-type: none"> - Costs of inter-island shipping reduced - Investment increased in the regions
			Formulated investment portfolios accepted and invested upon by the private sector.		
Task 3.1.3.1 Road Board assisted on Road User Charges law implementation	<ul style="list-style-type: none"> 1) A comprehensive report that covers the following: <ul style="list-style-type: none"> a. An analysis of the experience of the Road Board Secretariat in implementing RA 8794 in terms of its management as well as collection and utilization of the Special Road Support Fund b. A analysis of the organizational structure of the Road Board Secretariat c. Written recommendations for 1) improving the overall management of the Special Road Support Fund, 2) an appropriate organization structure, and 3) more efficient collection and utilization of the Fund, d. Proposed amendments to the implementing rules and regulations of RA 8794 e. Proposed amendments to RA 8794 	completed	EMERGE recommendations accepted and implemented by the Road Board Secretariat and the Presidential Adviser on Infrastructure.	The Road Board Secretariat (RBS) was supportive of the recommendations and asked for additional assistance to strengthen their operational capabilities. The Road User Fund consultants presented their assessment to the cabinet-level Road Board on December 12, 2005, where their findings were accepted.	Increasing costs of transporting goods for foreign and domestic market tamed and become more competitive.

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Task	Project Deliverables		Performance Milestones		GRP Success Indicators
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Task 3.2.1.1 Laws and regulations supportive of ICT sector development drafted and e-Government strategy developed	<p>Task 1: Voice over Internet Protocol (VoIP)</p> <ul style="list-style-type: none"> • Draft rules and regulations for VoIP, including notes and explanations, as needed. • Primers, presentations and other public information materials. • Research and policy papers on other VoIP-related issues, such as interconnection and access charges. <p>Task 2: Review of the Current ICT-related laws</p> <ul style="list-style-type: none"> • Policy paper or report reviewing, analyzing and providing options for possible improvements to existing laws related to ICT, such as the E-Commerce Act (R.A. 8792) and the Public Telecommunications Act of the Philippines (R.A. 7925). • Policy and strategy paper identifying legislative options to respond to emerging technologies and issues, and providing options for policy advocacies by the CICT and/or the NTC. <p>Task 3: General legal/policy assistance to the CICT and NTC</p> <ul style="list-style-type: none"> • Policy briefs, policy analysis, papers, etc. • Primers, presentations and other public information materials. <p>Task 4: Management</p> <ul style="list-style-type: none"> • Weekly, monthly and quarterly reports to be submitted to the EMERGE Technical Director and/or Infrastructure Team Leader. 	completed	<p>EMERGE recommendations accepted and adopted by the NTC and CICT</p> <p>Appropriate enabling orders and circulars signed and issued</p>	<p>The NTC issued its draft rules for VoIP in a press conference held on March 20, 2005. Under the draft rules, VoIP is classified as a value-added service, paving the way for increased competition in the telecommunications sector. A public hearing on the draft rules is scheduled for May 3, 2005. The new VOIP rules were published via Memorandum Circular 05-08-2005. The NTC held a consultative hearing in order to issue guidelines for ISPs on how to legally provide the service. Consultant also helped to draft the implementing guidelines which were published November 23, 2005. Reportedly no telecom companies will file legal protests to these decisions.</p> <p>NTC, consistent with recommendations from EMERGE competition policy consultants, issued interim guidelines for innovative price plans that, a) allow CMTS operators to set and establish minimum standards for grade of service and drop call rates which should be disclosed to the Commission prior to offering and disclosed to the consuming public in all their advertising, and b) mandate improvement of at least 50% of the difference between the voluntary standard and the NTC standard after one year, and full compliance with the NTC standard after two years.</p>	<p>cost of telecommunications reduced</p> <p>competition increased in the telecommunications sector (Status: GRP Success Indicators Achieved: 1) Lower rates now being charged by telecommunications carriers as these began making offers up to 75% lower within days of the issuance of the Memorandum Circular and are now offering as low as 5 cents per minute for overseas calls made using VOIP technology, an 87.5% drop from the usual 40 cents per minute. Increased competition with at least seventeen applications for registration by new VoIP Providers approved by the NTC since the issuance of the Memorandum Circular. 2) Increased competition with 34 NTC-licensed VOIP providers/resellers since the issuance of the Memorandum Circular.)</p>
Task 3.2.1.2a&b Competition policy for ICT sector formulated and implemented	<p>1. Research Memorandum and Analysis on NTC's Memorandum Circular on Service Performance Standards for the Cellular Mobile Telephone Service, in the broader context of competition policy.</p> <p>2. Assistance in the organization and documentation of consultations, roundtable discussions, workshops and/or conferences with ICT sector stakeholders to solicit inputs and comments on the competition policy framework, and to build broad-based support and appreciation for the same.</p> <p>3. Assistance to the NTC in the identification of specific data/information that should be required for purposes of setting fair and competitive interconnection rates between and among incumbents and competitors; and draft update for the NTC's Annual Report Guidelines for public telecommunications entities to ensure that such details and information are captured through the said Guidelines.</p>	completed	<p>EMERGE recommendations accepted and adopted by the NTC and CICT</p> <p>Appropriate enabling orders and circulars signed and issued</p>	<p>1) On 18 Dec 05 the NTC officially released its consultative document on competition policy for the telecommunications sector. EMERGE provided TA in the research and preparation of the document, which seeks stakeholder and public comments on issues related to specific policy proposals designed to foster greater competition in the telecommunications industry.</p> <p>2) On 28 June 06 the NTC officially convened a Technical Working Group to assist in the development of draft rules to enable Reference Access Offers (RAOs). RAO rules are seen to enhance competition by mandating, among others, default interconnection arrangements between providers and carriers.</p> <p>3) EMERGE, at NTC's request, provided TA in identifying key issues and policy recommendations for consideration by the NTC. The NTC subsequently issued Memorandum Circular 10-07-2007 on July 19, 2007 mandating the development of RAO to facilitate fair and expeditious interconnection or access between service providers.</p>	<p>cost of telecommunications reduced</p> <p>competition increased in the telecommunications sector</p>
	<p>4. Draft Consultative Document on Competition Policy for the ICT Sector, based on research on best practices and past experience, and on inputs from stakeholder discussions, workshops and conferences; identifying and defining practices that constitute anti-competitive behavior; and providing possible options for competition policy guidelines; including options for the setting a fair basis for interconnection rates between and among incumbents and competitors.</p> <p>5. Assistance in the organization of an NTC-sponsored "Conference the Future of Competition in the Information and Communications Technology Sector".</p> <p>6. Research Memoranda, Drafts and/or Briefs to support NTC efforts to formulate interconnection pricing guidelines, and to articulate how the NTC, as a regulator, may apply competition policy principles and tools to the continuously evolving information and communications technology sector.</p>				

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Task 3.2.1.2c&d NTC Capacity to Implement Competition Policy	<p>1. Assistance in the organization and documentation of consultations, roundtable discussions, workshops and/or conferences with ICT sector stakeholders to solicit inputs and comments on the SMP Guidelines and RIOs, and to build broad-based support and appreciation for the same.</p> <p>2. Assistance to the NTC in the formulation of appropriate Guidelines on the Imposition of Significant Market Power Obligations</p> <p>3. Assistance to the NTC on the development of rules to govern Reference Interconnection Offers (RIOs)</p>	completed	<p>EMERGE recommendations accepted and adopted by the NTC and CICT</p> <p>Appropriate enabling orders and circulars signed and issued</p>	The Team has drafted and submitted the Rules on RAO and SMP to NTC and CICT. The two counterparts are now evaluating the drafts for appropriate issuance of the same.	<p>cost of telecommunications reduced</p> <p>competition increased in the telecommunications sector</p>
Task 3.2.2.1 a&b Expanded use of VOIP and Internet technology	<p>o Technical assessment</p> <p>o Implementing measures and Strategies developed</p> <p>o Implementing measures and strategies acted on and implementation started in the regions</p> <p>o A final report documenting the work of the consultant and the success of implementation in the regions.</p>	completed	<p>EMERGE recommendations accepted and adopted by the NEDA</p> <p>Appropriate enabling orders and circulars signed and issued</p>	NEDA accepted much of the EMERGE consultant's advice on VOIP and the NEDA Director General was one of its most vocal and public advocates. (See for example the article, "NEDA backs calls via Internet," Business World, 23 Feb 05.) Cabinet presentations on VOIP and its benefits were integrated into the Philippine Medium Term Development Plan.	<p>Investments in the ICT sector increased</p> <p>Jobs created in the ICT sector</p>
Task 3.2.2.1 c&d Last Mile Initiative, Phases I & II	<p>A strategic plan (including identification and getting participation commitments from private sector players) and determine the budget for the identification and set-up of pilot CeCs in rural areas, which would center around the use of VOIP, e-commerce and e-government applications.</p> <p>Selection of at least ten (10) Pilot CeCs.</p> <p>Research on best practices and models that might be applicable to the Philippine context.</p> <p>Draft and Signing of a Memorandum of Agreement between the CICT, Private Sector Partners and/or USAID/EMERGE-LMIP.</p> <p>Design, set-up, implementation of Pilot CeCs.</p> <p>Evaluation: Lessons Learned and Recommendations.</p>	completed	<p>EMERGE recommendations accepted and adopted by the CICT</p> <p>Appropriate enabling orders, MOAs and circulars signed and issued</p> <p>LGUs and private sector set-up and institutionalized the CeCs</p>	<p>Partnered with the Philippine General Hospital- University of the Philippines, College of Medicine to develop and pilot-test several telemedicine solutions and content which could be deployed in CeCs. The collaboration resulted in the development and design of four (4) multi-media modules focused on common medical-related community concerns including the following:</p> <ul style="list-style-type: none"> • Poisoning prevention • Bird/avian flu • Tuberculosis • Stroke <p>Set up the Last Mile Initiative website (www.lastmileinitiative.ph) as a tool for documenting and sharing lessons learned and best practices identified in the course of the Project's implementation.</p> <p>- Job Generation: Using VoIP and webcams to successfully conduct long distance job interviews in Manolo Fortich, Bukidnon (resulting in at least 10 successful job placements)</p>	<p>Investments in the ICT sector and in the regions increased</p> <p>Jobs created in the ICT sector and in the regions</p>
				<p>Ecotourism: Using the Internet to promote ecotourism in Kiangnan, Ifugao Province (resulting in over 100 new visitors and generating hundreds of thousands of pesos worth of revenue in the first two months of the campaign)</p> <p>Telemedicine: Preparing health videos and conducting real-time, online trainings for rural health workers in Basak Pardo, Cebu and Bayombong, Nueva Ecija on how to deal with common emergencies.</p> <p>Education: Developing the iSchools Web Board, which now enables public school teachers to use the Internet to develop and share course outlines on line in a manner that is fully consistent with standards set by the Department of Education</p> <p>E-Governance: Various applications ranging from disaster management to helping community residents find their polling precincts during elections to simply being the conduit for national government agency services, have been documented.</p>	

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Task	Project Deliverables		Performance Milestones		GRP Success Indicators
	Description	Status	Description	Status	Description
Task 3.2.2.1 c&d Last Mile Initiative, Phase III	Establish five (5) additional CeCs focused on refining and replicating models for creating and obtaining jobs. Empowerment through innovative learning Identifying other models of innovation and sustainability.	completed	EMERGE recommendations accepted and adopted by the CICT Appropriate enabling orders, MOAs and circulars signed and issued LGUs and private sector set-up and institutionalized the CeCs	The Team conceptualized and packaged a proposal for USAID's Global Development Alliance program to replicate and scale LMIP's successes. A concept paper on the same was submitted to USAID in February 2008; the GDA Proposal was submitted to USAID in May 2008. Strong indications of interest have been received from Microsoft, Intel, PLDT-SMART Foundation, PhilHealth, Narra Ventures, and the Province of Ifugao. LMIP is also executing a proof of concept activity which will initially network 8 to 12 CeCs which hopefully will enable the posting and matching of small community-based development projects with funding from interested donors such as OFWs. Notwithstanding, USAID declined to support the proposal.	Investments in the ICT sector and in the regions increased Jobs created in the ICT sector and in the regions
Task 3.2.2.2a&b Development and Publication of CICT Roadmap	1. Five-Year Strategic Roadmap for the ICT Sector, including an initial run of 1,000 sets of the Roadmap and a complementary website on the same. 2. Assistance, as necessary, in the organization and documentation of consultations, roundtable discussions, workshops and/or conferences with ICT sector stakeholders. 3. Assistance, as necessary, in the organization of an official, CICT sponsored launching of the "Five-Year Strategic Roadmap for the Philippine Information and Communications Technology Sector."	completed	EMERGE recommendations accepted and adopted by the CICT; Roadmap adopted and presented to stakeholders. Appropriate enabling orders, MOAs and circulars signed and issued	CICT Chairman Ramon Sales announced that his office will officially release the ICT Road Map developed with EMERGE assistance.	Investments in the ICT sector increased Jobs created in the ICT sector
Task 3.3.1.1 Options developed to improve build-operate-transfer (BOT) contract governance	o Research Memorandum and Analysis on different factors that hinder the efficient performance of BOT as an instrument to encourage private sector participation in infrastructure provision with specific advice and recommendations drawing from both local and foreign experience; o Assistance in the organization and documentation of consultations, roundtable discussions, workshops and/or conferences with various stakeholders to solicit inputs and comments on the necessary amendments to the BOT Law; o A memorandum analyzing the necessary amendments to the BOT Law in the light of the comments and ideas made during the consultations, roundtable discussions, workshops and/or conferences; o Draft Bill amending the BOT Law.	completed	EMERGE recommendations accepted and adopted by the DTI/BOT/BOT Centers. BOT Law improved thru filing of a bill that amends the same.	NEDA officials have taken cognizance of the analysis and recommendations submitted by the EMERGE team, which they found useful in crafting a proposed bill that amends the current BOT law.	Investment Climate Improved Investment (local and foreign) increased.
Task 3.3.2.1(a) Privatization Inception Report	Technical report on the design or structure of a feasible privatization program for the Philippine government for the remaining assets it desires to privatize Draft terms of reference for the technical assistance teams required to support the privatization program	completed	EMERGE recommendations accepted and adopted by DOF Appropriate enabling orders, MOAs and circulars signed and issued	DOF Privatization Office Undersecretary Singson accepted the EMERGE team' strategy to privatize government assets and requested follow-on TA from the same.	Investment Climate Improved Investment (local and foreign) increased. Fiscal sustainability enhanced
Task 3.3.2.1(b) Inventory of GRP Assets for Privatization	1. Inception Report containing program/activity/timetable and methodology for the conduct of privatization inventory 2. Database/compilation of assets for privatization in electronic and manual form 3. Database management system and training of DOF Privatization Office key personnel	completed	EMERGE recommendations accepted and adopted by DOF Appropriate enabling orders, MOAs and circulars signed and issued	The inception report and database design format were accepted by the Privatization Office in December 2006. Obtaining supporting documentation from PCGG, Land Bank Trust Dept, and the PMO.	Investment Climate Improved Investment (local and foreign) increased. Fiscal sustainability enhanced
Task 3.3.2.1(c, d, e) Privatization of state-owned enterprises, Phase I-III	1. An inception report, detailing the Work Plan and Timetable of Activities 2. Inputs to the Privatization Office as requested, 3. Final report of meetings attended, documents reviewed, documents prepared, and overall accomplishments achieved.	completed	EMERGE recommendations accepted and adopted by DOF	(see Progress Tracker for details)	Investment Climate Improved Investment (local and foreign) increased. Fiscal sustainability enhanced

Attachment 1. EMERGE Project Summary of Tasks and Accomplishments

Task	Project Deliverables		Performance Milestones		GRP Success Indicators
	Description	Status	Description	Status	Description
			Appropriate enabling orders, MOAs and circulars signed and issued Effort towards privatization of the identified assets initiated/executed.		
Task 4.1.1.1 a & b Assessment of Saving Patterns & Behavior, and Design of a CFS	1. Technical report, including appropriate annexes and data on electronic media, which will highlight the profile of saving behavior at the national and, more importantly, subnational levels and the tests undertaken to establish said profile; 2. A policy brief which provides a succinct summary of the technical paper and its policy implications; 3. Presentation materials for the forum/workshop to be organized for such purpose.	completed	EMERGE recommendations accepted and adopted by BSP Appropriate enabling orders and circulars signed and issued	The Monetary Board members accepted the study's findings and are looking forward to a follow-on activity to bring someone from the U.S. Federal Reserve Board to help the BSP develop a Consumer Finance Survey (CFS), and they will then consider the EMERGE team's recommendation to make the CFS a rider to the Family Income and Expenditure Survey, administered on another day, to a panel of around 2,000 households.	More Competitive and Efficiently Regulated Financial System
Task 4.1.1.2 a, b, c Defining the Philippine Capital Market Reform Agenda	Report on the Market Consensus of Core Principles applicable to the Philippine capital market. In addition to these documents, a presentation of the key aspects of the reform agenda to market stakeholders shall be provided by the consultant as may be requested by the counterpart Workshop of capital market stakeholders is scheduled on the first draft of this agenda. Based on the comments received, the EMERGE-supported consultant shall revise and improve the draft capital market reform agenda.	completed	EMERGE recommendations accepted and adopted by the counterparts	Draft submitted to EMERGE and counterparts in late August. A workshop for the "Financial Market Core Principles and An Enabling Environment for the Capital Market" was held on 24 Oct 05, with the highest-level stakeholders in the financial market participating.	More Competitive and Efficiently Regulated Financial System
Task 4.1.1.3a&b Financial Sector Taxation, Phase I&II	1. Initial report that will identify specific cases/products/transactions where tax policy has created an imbalance. 2. Final report which will provide recommendations for a more-tax-neutral tax structure. 3. Presentation materials for the forum/workshop to disseminate the findings among stakeholders and secure comments & feedback	completed	EMERGE recommendations accepted and adopted by the counterparts	Achieved	More Competitive and Efficiently Regulated Financial System
Task 4.1.2.4 abcd Valuation and Risk Parameter Estimation for BSP	Interim report that reviews the status quo and proposes a specific approach for the resolution of the policy issues raised A concept paper specifying: 1. The timing of the various initiatives to be pursued 2. The acceptable benchmark of success for each of the initiatives identified 3. The stakeholders that should be coalesced for this reform process	completed	EMERGE recommendations accepted and adopted by the counterparts	The inception report of the EMERGE Real Estate Appraisal consultant was translated into a strategic roadmap with specific timelines. DG Esperilla has accepted it and has begun to build a coalition of stakeholders to implement it.	More Competitive and Efficiently Regulated Financial System
	Two-day symposium and action planning workshop for land appraisal reforms in the Philippines. • Workshop Proceedings • Presentations/Papers • Action Plan for Improving the Appraisal Industry				

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Task	Project Deliverables		Performance Milestones		GRP Success Indicators
	Description	Status	Description	Status	Description
	1. Inception report outlining the specific approach for addressing the TOR and time line for the major activities to be undertaken under Components A (standardized approach to the computation of market risk capital charges) and B (financial performance benchmarks.). 2. A written report on the results of Component A 3. A report on the results of Component B 4. Presentation of the results and recommendations of Component A to BSP senior officials. 5. Presentation of results and recommendations of Component B to BSP senior officials and BAP members.				
Task 4.1.2.5 a, b, c, d TA to BSP on Inflation Targeting and Monetary Policy	1. A description of the key features of the model consistent with the BSP understanding of the current state of the economy and their concerns about the likely transmission channels and effects of monetary policy rules.	completed	EMERGE recommendations accepted and adopted by the counterparts	BSP adopted the recommendation to combine the three output gap models BSP developed and estimated, with the rates of growth of broad money, nominal wages and oil prices for forecasting inflation. In its Inflation Report: Fourth Quarter 2006 (January 2007), BSP has announced that it will include estimates of output gaps beginning in the first quarter of 2007.	More Competitive and Efficiently Regulated Financial System
	2. A formalized, functioning, relatively tractable dynamic general equilibrium model for use by monetary authorities and member of BSP's Center for Monetary and Financial Policy (CMFP).			BSP also accepted the framework for Bayesian estimations of a dynamic stochastic general equilibrium (DSGE) model of the economy for its use in forecasting inflation.	
Task 4.2.1.1 MDFO Policy-based Lending (ProLend) for LGUs	- Inception Report - Interim Report that shall include a documentation of the lessons learned from Negros Occidental and the results of the workshops conducted by the consultants - Draft Policy-Program Loan Manual for presentation to the MDFO-PGB - MDFO-PGB Approved Manual - MDFO PROLEND Media Information Booklet, including a brochure and flyer. - Weekly and monthly progress reports to EMERGE	completed	EMERGE recommendations and the formulated manuals accepted and adopted by MDFO At least five loan proposals from LGUs packaged.	1. Negros Occidental - Packaging of the loan completed, Sanggunian Panlalawigan Resolution obtained (Provincial Council approval for the Governor to negotiate for the loan) and loan packaged approved by MDFO Policy Governing Board. However, the loan amount approved was reduced from 200 million pesos to 120 million since the province already has a MDFO program loan amounting to 120 million. In February 2008, Governor Mandanas passed away and the Vice Governor now Governor Syco was no keen on availing of the loan. This resulted in the loan being cancelled.	LGU access to financing increased
				2. Rizal - Packaging of the loan completed, Sanggunian Panlalawigan Resolution obtained and loan package approved by MDFO Policy Governing Board. The loan amount approved was 200 million pesos. Currently, the first tranche is being released.	Competitive parity across sub-markets developed
				3. Iloilo - Packaging of the loan completed but Sanggunian Panlalawigan Resolution was not obtained by the LGU. Therefore, the loan package was not presented to the MDFO Policy Governing Board for approval. Had the loan progressed this would have amounted to 200 million pesos. The province has since then decided not to pursue borrowing.	
Task 4.2.1.2c Institutionalizing Alternative Dispute Resolution (ADR) Mechanisms for the Cooperative Sector	1. Report containing a review of ADRs of regulatory agencies in the country and CDA's current mediation and conciliation function, activities, rules and regulations, procedures and practices for settling intra-cooperative disputes. 2. Conflict map of cooperatives in the Philippines. 3. Draft mediation and conciliation framework and IRR on the use of ADR mechanisms for the cooperative sector. 4. Proceedings of consultation workshops. 5. Final Framework and IRR as approved by the CDA Board of Administrators	completed	EMERGE recommendations accepted and adopted by NCC Appropriate enabling orders and circulars signed and issued	On March 20, 2007, the CDA Board of Administrators approved the ADR Framework for the cooperative sector and issued the following memorandum circulars to all the CDA staff and cooperatives: (a) MC 2007-05: Guidelines for the Implementation of conciliation-mediation of cooperative disputes at the primary cooperatives; (b) MC 2007-04: Guidelines for the implementation of conciliation-mediation of cooperative disputes at unions/federations; and (c) MC 2007-03: Guidelines for the implementation of conciliation-mediation of cooperative disputes at the Cooperative Development Authority. As the number of intra- and inter-cooperative disputes brought to CDA for resolution declines substantially from its current level of about 500 a year, CDA can then devote more time to its basic responsibility of supervising and regulating cooperatives.	Competitive parity across sub-markets developed

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Task	Project Deliverables		Performance Milestones		GRP Success Indicators
	Description	Status	Description	Status	Description
Task 4.2.1.2d CDA Database Development for Coops with Savings and Credit Services	1. Report on the analysis of and recommendation on the information that should be included in the database system to be used by CDA as an aid to effective supervision and regulation of cooperatives with savings and credit services. 2. Proposed revisions for the AR, GIS and IWP. 3. Recommendations on which information need to be gathered regularly and in what frequency. 4. Proposed revisions for the IWP manual. 5. Training module on the Revised Manual, processes and procedures for the collection of information contained in the IWP. 6. Conduct of two workshops to present the preliminary and final reports of the study. 7. Training workshop design. 8. Conduct of one (1) training workshop for CDA trainers.	completed	EMERGE recommendations accepted and adopted by CDA	(1) CDA adopted the one-page information sheet which it dubs Coop E-Link and launched it during the 17th Anniversary Celebrations of the signing of the Cooperative Code and the Cooperative Development Authority Charter on 10 March 2007. CDA will use it to conduct a census of cooperatives prior to a massive inspection using the newly developed data collection instrument. CDA will use the database system and improved instruments for gathering reliable and consistent sets of data that EMERGE helped design to effectively supervise and regulate cooperatives with savings and credit functions. (2) CDA Chairperson Juarez and Director Almario and the CDA Board of Administrators approved the new data collection instrument and manual drafted by the EMERGE team and organized an extensive training program in its use.	Competitive parity across sub-markets developed
	1. Report on the results of the pre-testing of the new CDA data collection instrument. 2. Pre-tested and revised CDA data collection instrument.				
Task 4.2.1.2g Corporate governance seminar for CDA Board	1. A report on the conduct of a 3-day seminar on corporate governance suited to CDA BOA members 2. A compilation of Training materials and handouts; and 3. Report on the course evaluation by participants	completed	Workshop recommendations accepted and adopted by CDA	The CDA Board of Administrators approved on May 19, 2007: a) a manual on corporate governance, b) a memorandum circular on completed staff work c) a CDA vision statement, and d) a CDA mission statement. The first two were developed during the EMERGE-sponsored workshop on corporate governance immediately preceding the Board meeting and the latter two were suggested during the same workshop.	Competitive parity across sub-markets developed
Task 4.2.2.1 Assistance to the Philippine Dealing and Exchange Corporation	Review of the draft of the Exchange Rules; draft Product Pricing and Operating and Control procedures sections of the manual; draft MOA for the BSP and the PSSC to cover Delivery vs Payment (DvP) and a forex Payment versus Payment (PvP) system.	completed	EMERGE recommendations accepted and adopted by PSSC and PDEX	Reviewed the draft of the Exchange Rules and as a result some changes were made to the Clearance and Settlement proposed rules. Drafted the Product Pricing and Operating and Control procedures sections of the manual. Drafted a MOA for the BSP and the PSSC to cover Delivery vs Payment (DvP) and a forex Payment versus Payment (PvP) system. Submitted final report in mid-August. In July 2006, the SEC approved the application of PDEX as a Self-Regulating Organization (SRO). The final report of ISC was accepted by the counterpart and its technical recommendations will be implemented when public market trading is launched.	Competitive parity across sub-markets developed